

City of Lansing,
Michigan



Year Ended
June 30, 2014

Comprehensive
Annual Financial
Report

Prepared by: Department of Finance

Finance Director
Angela Bennett

Accounting Manager
Randy Endsley

CITY OF LANSING, MICHIGAN

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INTRODUCTORY SECTION

CITY OF LANSING, MICHIGAN

ELECTED AND APPOINTED OFFICERS

For the Year Ended June 30, 2014

MAYOR

Virg Bernero

CLERK

Chris Swope

DISTRICT COURT JUDGES

Louise Alderson

Patrick F. Cherry

Hugh B. Clarke, Jr.

Frank J. Deluca

Charles F. Filice

CITY COUNCIL

AT LARGE

Judi Brown Clarke

Kathie Dunbar

Derrick Quinney

Carol Wood

BY WARDS

Jody Washington - 1st Ward

Tina Houghton - 2nd Ward

A'Lynne Boles - 3rd Ward

Jessica Yorko - 4th Ward

OFFICERS

Randy Hannan

Chad Gamble

Janene McIntyre

Angela Bennett

William Fowler

Antonia Kraus

Terri Taylor

Randy Talifarro

Michael Yankowski

Joan Jackson Johnson

Brett Kaschinske

Robert Johnson

Jim DeLine

Executive Assistant/Chief of Staff

Chief Operating Officer/Public Service Director

City Attorney

Finance Director

City Assessor

City Treasurer

Human Resources Director

Fire Chief

Police Chief

Human Relations & Community Services Director

Parks & Recreation Director

Planning & Neighborhood Development Director

Internal Auditor



FINANCE DEPARTMENT

124 W. Michigan Ave., 8th Floor
Lansing, Michigan 48933
(517) 483-4500

December 19, 2014

Council President A'Lynne Boles
and Council Members
10th Floor City Hall
Lansing, Michigan 48933-1694

Dear President Boles and Council Members:

We are pleased to submit the comprehensive annual financial report of the City of Lansing, Michigan for the fiscal year ended June 30, 2014.

The City assumes full responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations government wide and of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's fiscal year 2013/2014 financial statements have been audited by Rehmann Robson, an independent firm of licensed, certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements for the City of Lansing for the fiscal year-ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements; assessing the accounting principles used; and evaluating the overall financial statement presentation. The independent audit concluded with the rendering of an unmodified opinion on the statements, meaning the financial statements present, fairly and accurately in all material respects, the financial position of the City in conformity with Generally Accepted Accounting Principles ("GAAP"). The independent auditors report is presented as the first component of the financial section of this report.

This letter of transmittal is designed to complement the Management Discussion and Analysis (MD&A) and should be read in conjunction with it. The Management Discussion and Analysis can be found immediately following the Independent Auditor Report.

Profile of the City of Lansing

Serving as Michigan's capital since 1848, the City of Lansing was incorporated in 1859 and operates under provisions of Public Act 279 of 1909, as amended (the "Home Rule City Act"). The City incorporates 34.7 square miles and is located in the lower middle of Michigan's Lower Peninsula and operates under a strong mayor form of government established by 1978 Charter revision.

Lansing is a mature core city with a population of 114,297, according to the 2010 census, and offers a full range of services. During the fiscal year ended June 30, 2014, the City operated police headquarters and a precinct with over 190 sworn police officers; six fire stations with a fire protection force of over 170; over 350 miles of sanitary sewers, 230 miles of storm sewers, and 180 miles of combined sewers; over 400 miles of roads; 113 parks; a District Court; and support for human services and cultural events. The City's main sources of revenue are property taxes, income taxes, State revenue sharing, Federal entitlement grants, and charges for services, including utility billings.

Reporting Entity

The financial reporting entity (the City) includes all of the funds and of the primary government (i.e., the City as legally defined), as well as its blended component units. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. The Lansing Building Authority is a blended component unit. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Lansing Entertainment & Public Facilities Authority, Tax Increment Finance Authority, Brownfield Redevelopment Authority, and Smart Zone are reported as a discretely presented component units.

Financial Management and Control

Management of the City of Lansing is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft, or misuse and to assure that adequate accounting data is compiled to allow for the accurate presentation of financial statements in conformity with generally accepted accounting principles.

To provide a reasonable basis for making these presentations, management has established a comprehensive system of internal controls designed to reasonably ensure that assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of these financial statements in conformity with generally accepted accounting principles. Such controls include appropriate policies and procedures, ongoing risk assessment, and monitoring and review processes which are communicated throughout City operations. Because the cost of internal controls generally should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that these objectives are met.

Because the City is a recipient of federal grant dollars, the independent audit of the financial statements of the City of Lansing was part of a broader, federally-mandated "single audit" in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The standards governing the single audits require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements involving the administration of the federal awards. These reports are available in the City's separately-issued Single Audit Report.

Financial results and applicable policies affecting year-end results for the fiscal year-ended June 30, 2014 are discussed in the Management Discussion and Analysis (MD&A), located immediately following the Independent Auditor Report.

Budgeting Controls

The annual budget serves as the foundation for the City's financial planning, policy-making, and control. The City Charter requires that the Mayor submit to the City Council a proposed budget by the fourth Monday in March. Budgetary controls and limitations are noted in the Note Disclosure Section of the financial statements.

The City also maintains an encumbrance accounting system, whereby purchase orders amounts are deducted from the available budget, as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end and require Council approval to be carried forward to the ensuing fiscal year for amounts greater than \$5,000 or greater than eight months old.

Economic Condition and Outlook

Aggressive economic development activities have resulted in a number of economic projects that have happened in 2014, resulting in more than 1,400 new direct jobs and equating to \$528 billion in investments. Several more are slated to break ground in 2015.

- . Though not in the City of Lansing, it is critical to note that Michigan State University (MSU) is on the border of Lansing. MSU recently broke ground on the \$550 million Facility for Rare Isotope Beams (particle acceleration), one of the world's most high tech machines. It has already attracted to the city and region 200 of the world's top nuclear physics minds, and promises up to a 1000. MSU is ranked as the #1 nuclear physics program in the country, one spot ahead of M.I.T., according to US News and World Report. Niowave, a spin-off of MSU's accelerator work, is an example as to how MSU financially benefits the City.
- . The City has two major General Motors (GM) plants. During 2013/2014, GM made several significant announcements for its Lansing plants:
 - . Construction of a 400,000 square foot, \$40 million, 200 new job Logistics Center to be built as part of their Grand River Lansing Car Assembly plant. Plant will be ready for 2015.
 - . Construction of a new stamping plant, investment valued at \$162 million and 65 additional jobs.
 - . Re-location of the Camaro production from Canada to the City's Grand River Car Assembly plant. This will move the plant from the current two to three round the clock, full shifts and more. 600 - 1000 new jobs. The two new facilities (Logistics, Stamping) and employees should be fully in operation in July 2015.
 - . The Outfield development, a \$27.6 mixed development featuring four stories of apartments located in the outfield of Lansing's Cooley Law School Stadium, as well as improvements to the stadium, was announced. The project will commence the summer of 2014 and is expected to be completed by the spring of 2016.
- . Niowave announced a 50,000 square foot, \$202 million medical isotope production facility in the City of Lansing. 127 jobs and \$60,000 average wage will be created. Construction is slated to begin in the fall of 2014. This \$3 billion cutting edge, pharmaceutical industry is produced primarily in Europe and Canada, thus this facility is one of America's first. In addition to this, Niowave has completed its Prototype Development/Research and Development building, adding 25 jobs at average salary of \$60,000 with over \$10 million in machinery and equipment.
- . Jackson National Life, a Fortune 500 company and the nation's #1 individual annuities company, has announced that they will double the size of their national headquarters in the City of Lansing, adding \$114 million in new structure as well as adding 1000 new, very high paying, white collar jobs. Construction should begin in the spring of 2014. Average salary for these 1000 new jobs will be \$76,000 - all within the City.

- The downtown Knapp's department store, a \$36 million rehabilitation project that will create over 100 jobs as well as fully redeveloping an entire city block. This building and block have been abandoned and unused for several decades. It will also house the City's new Fashion Incubator, called the Runway, which is attracting interest from over 36 tenants across Michigan. The newly-renovated Knapp's building is poised to open in the fall of 2014.
- In partnership with the City, the Sault Ste. Marie Tribe of Chippewa Indians announced plans for a 125,000-square-foot Kewadin tribal casino to be located next to the City's convention center. The casino is planned to have 3,000 slot machines and 48 gambling tables and is projected to generate 1,500 jobs. Revenue sharing from the operations of the casino are planned to fund four-year college scholarships for Lansing School District graduates, modeled after the Kalamazoo Promise. The development has met some legal challenges, but is progressing.
- The Market Place project's steel is now constructed. This \$10 million market rate, mixed use/residential building is the City's first on its downtown riverfront. It will bring 80 units on line and is Phase I of two more phases to be completed in the next five years. It will open in the late fall 2014.
- The MidTown market rate, mixed use residential building's foundation is in place and will be completed by early 2015. Located on Michigan Avenue, at the border of Lansing, East Lansing and Michigan State University, it is targeting the ever-growing Chinese population of Michigan State University, with nearly 100 units as well as a PNC bank branch on the first floor.
- The "Red Cedar Renaissance" mixed use project was announced in 2013. This signature project was put together by one of North America's top developers, Continental Groups. The \$200 million, 1,000-job-and-resident project will develop the former City-owned Red Cedar Golf Course and act as a catalyst for the entire Michigan Avenue corridor, which connects, Lansing, East Lansing, the Capitol building of Michigan and Michigan State University.
- The publicly-owned utility Lansing Board of Water and Light completed and opened its \$180 million co-generation natural gas plant in Lansing's REO Town. It also moved its corporate headquarters and 180 employees to this new site, sparking a whole revitalization effort within the REO Town area of Lansing. The plant recently received recognition by the Pew Institute as one of the "cleanest and most efficient" energy facilities in the nation and "Best Project of the Year" by Engineering News-Record Midwest magazine.
- The Sabori project is rehabilitating the former Heeb Building property and building a new \$3 million mixed use development in Lansing's Old Town.
- The High Grade project will demolish a decades-old blighted building and silos in the City and construct a new, efficient \$2 million plant.

Lansing is an environment of high-growth and a good return on investment. Lansing is poised to benefit from the new generation of young people, entrepreneurs and new economy businesses who are now demanding an urban environment for living and working. Its economy is diverse; its work force creative.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the 36th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Department, as well as support by other departments. All those who contributed to this document, especially Accounting Manager Randy Endsley, have our sincere appreciation for their contributions made in the preparation of this report and in the financial management of the City. The 36th consecutive GFOA award, recognizing their efforts, is well deserved indeed.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Virg Bernero', with a stylized, flowing script.

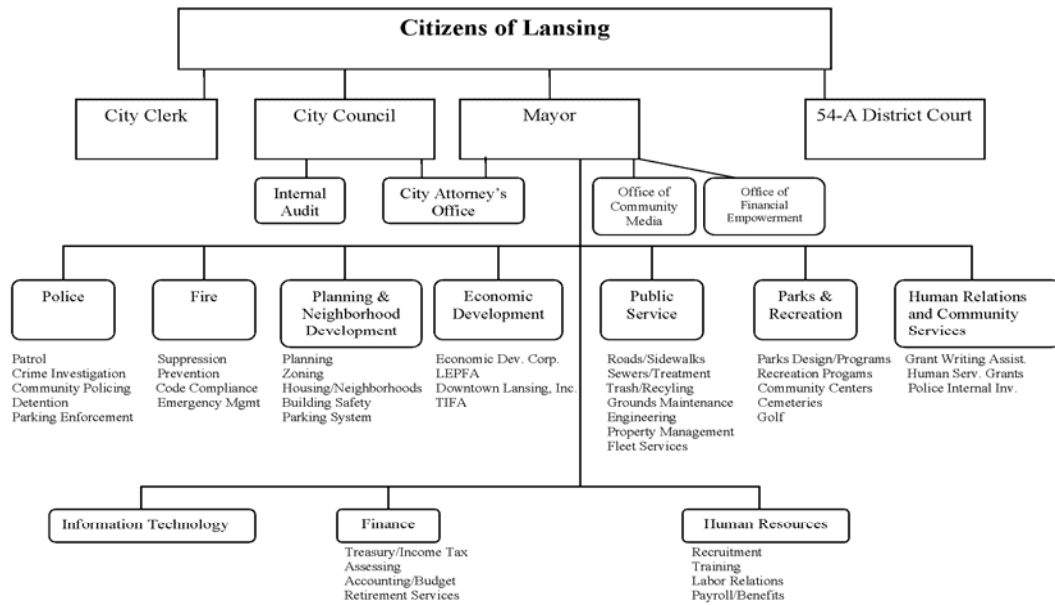
Virg Bernero
Mayor

A handwritten signature in black ink, appearing to read 'Angela Bennett', with a stylized, flowing script.

Angela Bennett
Finance Director

CITY OF LANSING, MICHIGAN

Table of Organization



CITY OF LANSING, MICHIGAN

GFOA Certificate of Achievement



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lansing
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading 'Jeffrey R. Egan', is positioned above the title of the Executive Director/CEO.

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

December 19, 2014

Honorable Mayor and
Members of the City Council
City of Lansing, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Lansing, Michigan* (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lansing, Michigan, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statements No. 65 and 67

As disclosed in Note 19 to the financial statements, the City implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), in the current year. Implementation of GASB 65 revised classification of certain financial statement elements and eliminated the presentation of bond issuance costs as an asset. As a result of this change, beginning net position of governmental activities, business-type activities and discretely presented component units decreased by \$160,441, \$924,785 and \$143,468, respectively.

In addition, the City implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans* in the current year. While there was no effect on the amounts reported in the financial statements themselves, there were substantial changes to the disclosures found in Note 16 to the financial statements, including the calculation of the City's net pension liability, which will be required to be recorded by the City in its next fiscal year. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 19, 2014, on our consideration of the City of Lansing, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Rehmann Lobson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

The management of the City of Lansing, Michigan (“the City”) provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014 for the benefit of the readers of these financial statements. This management’s discussion and analysis (“MD&A”) is intended to assist the reader in focusing on significant financial issues and provide an overview of the City’s financial activity. The City encourages the readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section.

Financial Highlights

- Total government-wide assets and deferred outflows of resources of the City exceeded its liabilities at the close of the fiscal year by \$378.9 million (reported as net position), a decrease of \$4.3 million from fiscal year 2012/2013.
- As of the close of the 2013/2014 fiscal year, the City’s governmental funds reported combined ending fund balances of \$22.8 million, a \$3.6 million increase from fiscal year 2012/2013. Of the \$22.8 million fiscal year 2013/2014 combined ending fund balance, \$9.6 million is legally restricted and/or unavailable to spend (i.e. amounts tied up in inventories), and \$6.7 million is committed for designated projects, leaving \$6.5 million unassigned.
- At the end of the fiscal year, unassigned fund balance for the General Fund, (including the amount internally identified as a Budget Stabilization Fund), was \$7.1 million, an increase of \$1.4 million from FY 2012/13. Please see the “General Fund and Budgetary Highlights” section of this Management Discussion and Analysis for further detail.
- The business-type activities reported net position at year-end of \$261.1 million, an increase of \$5.4 million during the year.
- The City’s total bonded and loaned debt was \$235.8 million at June 30, 2014, a decrease of \$12.1 million (or 4.9%), which represents the net difference between new issuances and payments. More detailed information regarding these activities and funds can be found in footnote 9, Long-Term Debt of the Notes to the Financial Statements section of the CAFR.

Overview of the Financial Statements

This MD&A is an introduction to the City’s basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements. These statements include all non-fiduciary assets and liabilities but exclude assets and liabilities related to pensions. The Statement of Net Position and the Statement of Activities are two financial statements that report information about the City, as a whole, and about its activities, which provide measurements of long term trends that should help answer this question: Is the City, as a whole, better off or worse off as a result of this year’s activities? Unlike the governmental funds, the current year’s revenues and expenses are taken into account regardless of when cash is received or paid, known as “full accrual accounting”.

The Statement of Net Position presents all of the City’s assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the these categories reported as “net position”. Over time, increases and decreases in net position are an indicator of whether the City’s long term financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

The Statement of Net Position and the Statement of Activities report three activities, as follows:

- *Governmental Activities.* Most of the City's basic services are reported under this category. Property taxes, income taxes, and intergovernmental revenues generally fund these services. The Council (legislative branch), the District Court (judicial branch), and general operations of the executive branch departments, such as police, fire, parks, public works, and staff departments fall within the governmental activities.
- *Business-type Activities.* The City charges fees to customers to help cover all or most of the costs of certain services it provides. Sewage collection and treatment and commercial area parking are examples of business-type activities.
- *Discretely Presented Component Units.* Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City has four such discretely presented units; the Lansing Entertainment and Public Facilities Authority, the Tax Increment Finance Authority, the Brownfield Redevelopment Authority, and the SmartZone.

These financial statements include two schedules that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (full accrual accounting) on the appropriate government-wide statements. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain revenues that are earned, but not available for use within the reporting period, are reported as revenues for governmental activities, but are reported as deferred inflows of resources on the governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.
- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Bond discounts and premiums in the issuance of long term debt, are reported as expenditures in governmental fund statements, but are capitalized and amortized in the government-wide statements.
- Unless due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending in excess of capitalization thresholds are recorded as capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows, such as debt service principal payments, represent decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Fund Financial Statements. The City's Major Funds are identified as its General Fund, Sewage Disposal Fund, and its Municipal Parking System Fund. Data for all other funds, termed "nonmajor funds", are combined into a single, aggregated presentation. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose.

- *Governmental funds.* Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.
- *Proprietary funds.* When the City charges customers for the services it provides, whether to outside customers or to other agencies within the City, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize full accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Examples are the Sewage Disposal Fund and the Municipal Parking Fund. Internal service funds are reported as governmental activities on the government-wide statements.
- *Fiduciary Funds.* The City acts as a trustee or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These funds, which include pension and other employee benefit funds, are reported using full accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent spendable assets of the City to finance its operations.

Additional Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes required pension and other postemployment benefit supplementary information.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Government-Wide Financial Analysis

The City's combined net position decreased \$4.3 million over the course of this fiscal year's operations to a total of \$378.9 million. Net position of governmental activities decreased \$9.7 million or 7.6%, and business-type activities increased \$5.4 million or 2.1%. Explanations for those changes are described below under the Governmental Activities and Business-Type Activities sections of this Management Discussion and Analysis.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 47,595,049	\$ 45,743,473	\$ 71,988,749	\$ 67,785,783	\$ 119,583,798	\$ 113,529,256
Capital assets, net	187,934,084	192,940,938	389,610,713	397,911,962	577,544,797	590,852,900
Total assets	235,529,133	238,684,411	461,599,462	465,697,745	697,128,595	704,382,156
Deferred outflows of resources	201,592	235,534	3,163,496	2,407,670	3,365,088	2,643,204
Long-term liabilities	53,568,260	56,330,630	201,061,383	210,324,829	254,629,643	266,655,459
Other liabilities	64,397,873	55,132,372	2,605,585	2,077,593	67,003,458	57,209,965
Total liabilities	117,966,133	111,463,002	203,666,968	212,402,422	321,633,101	323,865,424
Net position						
Net investment in capital assets	150,976,010	154,372,604	214,458,841	212,682,278	365,434,851	367,054,882
Restricted	13,133,137	12,552,011	8,746,096	11,077,134	21,879,233	23,629,145
Unrestricted	(46,344,555)	(39,467,672)	37,891,053	31,943,581	(8,453,502)	(7,524,091)
Total net position	\$ 117,764,592	\$ 127,456,943	\$ 261,095,990	\$ 255,702,993	\$ 378,860,582	\$ 383,159,936

The largest component (96.5%) of the City's net position reflects its net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). Restricted net position is the next largest component, which represents amounts subject to external restrictions such as bond covenants, City Charter, State legislation or Constitutional provision. The remaining portion, unrestricted net position are resources that may be used at the City's discretion, but often have limitations based on policy action.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's net position changed during the fiscal year:

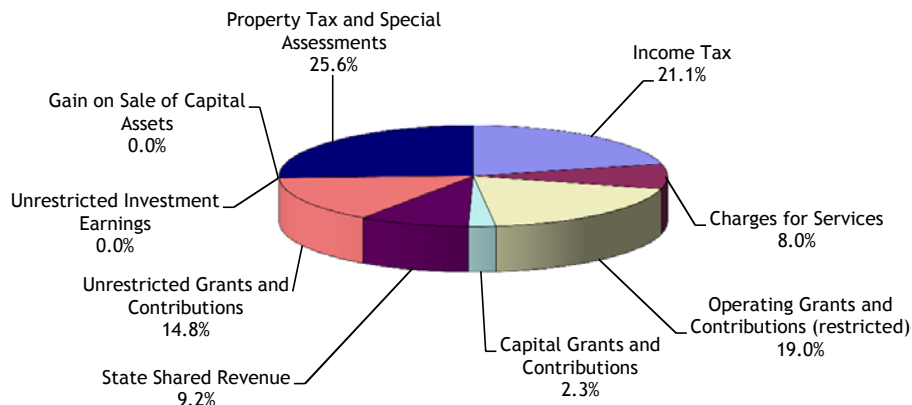
	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues						
Charges for services	\$ 11,939,026	\$ 12,530,371	\$ 45,042,043	\$ 41,346,995	\$ 56,981,069	\$ 53,877,366
Operating grants	28,234,803	29,322,435	2,574,949	1,193,571	30,809,752	30,516,006
Capital grants	3,365,682	3,124,288	-	-	3,365,682	3,124,288
General revenues						
Taxes	69,530,461	68,519,592	-	-	69,530,461	68,519,592
State shared revenues	13,630,527	13,201,648	-	-	13,630,527	13,201,648
Unrestricted grants and contributions	22,047,383	18,224,070	-	-	22,047,383	18,224,070
Unrestricted investment earnings	36,836	58,588	246,616	356,467	283,452	415,055
Gain (loss) on sale of capital assets	-	-	2,600	-	2,600	-
Total revenues	148,784,718	144,980,992	47,866,208	42,897,033	196,650,926	187,878,025
Expenses						
General government	24,771,054	27,438,065	-	-	24,771,054	27,438,065
Public safety	78,142,897	77,133,469	-	-	78,142,897	77,133,469
Public works	37,243,516	29,984,955	-	-	37,243,516	29,984,955
Recreation and culture	8,670,918	7,713,098	-	-	8,670,918	7,713,098
Community development	7,602,229	16,939,572	-	-	7,602,229	16,939,572
Interest on long-term debt	1,340,818	1,475,051	-	-	1,340,818	1,475,051
Sewage disposal system	-	-	28,682,809	26,298,964	28,682,809	26,298,964
Municipal parking system	-	-	7,851,702	8,108,373	7,851,702	8,108,373
Cemetery	-	-	722,270	633,050	722,270	633,050
Golf	-	-	935,671	892,117	935,671	892,117
Garbage and rubbish collection	-	-	-	-	-	1,557,708
Recycling	-	-	1,722,843	1,557,708	1,722,843	3,650,292
Total expenses	157,771,432	160,684,210	43,178,848	41,140,504	200,950,280	201,824,714
Change in net position, before transfers	(8,986,714)	(15,703,218)	4,687,360	1,756,529	(4,299,354)	(13,946,689)
Transfers	(705,637)	(583,117)	705,637	583,117	-	-
Change in net position	(9,692,351)	(16,286,335)	5,392,997	2,339,646	(4,299,354)	(13,946,689)
Net position:						
Beginning of year, as restated	127,456,943	143,743,278	255,702,993	253,363,347	383,159,936	397,106,625
End of year	\$ 117,764,592	\$ 127,456,943	\$ 261,095,990	\$ 255,702,993	\$ 378,860,582	\$ 383,159,936

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. The following chart depicts revenues of the governmental activities for the fiscal year:

Revenues - Governmental Activities Fiscal Year Ending June 30, 2014



In total, Governmental Activity revenue increased \$3.8 million from FY 2012/2013 to FY 2013/2014, with trends of the major revenue categories as follows:

Property taxes and special assessments comprised the largest portion of Governmental Activity revenue at 25.6%, or \$38.1 million, a \$589,289, 1.5% decrease from fiscal year 2012/2013. The decrease was due to reductions in taxable values attributable to the recession and housing market.

Income taxes comprised 21.1%, or \$31.5 million, of Governmental Activity revenue, the full amount of which is revenue to the General Fund. This represents a \$1.6 million, 5.4%, increase from fiscal year 2012/2013. Local income tax rates are prescribed by State law, and limited in Lansing's case to 1% of resident income and 0.5% of the income of persons working in the City, but living outside of its corporate boundaries.

Restricted Operating and Capital Grants and Contributions made up \$31.6 million, or 21.2% of Governmental Activity revenue for fiscal year 2013/2014, a \$846,144 or 2.7% decrease from fiscal year 2012/2013. In this category, \$14.2 million are recurring revenues from: State Gas & Weight tax revenues restricted for streets; Community Development, HOME, and Emergency Shelter entitlement grants; and drug forfeiture funds restricted for drug enforcement efforts. The remaining \$17.4 million is attributable to non-entitlement grants. The decrease from FY 2012/2013 is the result of a reduction in non-entitlement grants with the conclusion of much of the federal ARRA grants.

Unrestricted Grants and Contributions account comprised 24.0%, or \$35.7 million, of revenues, a \$4.3 million or 11.9% increase from fiscal year 2012/2013. A little more than one-third of this category, \$13.6 million, is attributed to State revenue sharing, an amount distributed to municipalities by the State of Michigan by formula allocation of portions of the State sales tax. Equity payments from the independently-managed-and-operated Board of Water and Light account for \$20.6 million of the category, with remaining \$1.5 million coming from payments from the State of Michigan for a payment in lieu of tax for its fire protection for its properties, bad driver revenues, and reimbursement of liquor license enforcement costs. A \$4.5 million increase in the equity payment from the Board of Water and Light accounted for the increase in unrestricted grants and contributions from FY 2012/2013 to FY 2013/2014.

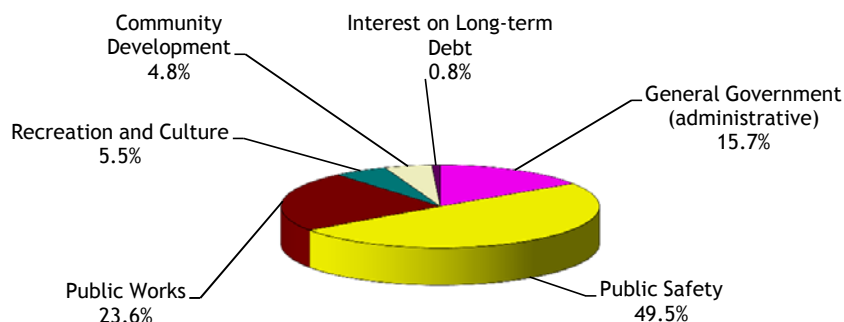
Charges for Services are program-specific revenues generated for services provided. Governmental activity charges for services decreased \$591,345 from FY 2012/2013 to FY 2013/2014. The majority of the decrease is attributable to reimbursements received in FY 2012/2013 for road work due to work on underlying utilities.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

The following chart depicts expenses of the governmental activities for the fiscal year:

Expenses - Governmental Activities Fiscal Year Ending June 30, 2014



Total expenses for Governmental Activities decreased \$2.9 million from FY 2012/2013 to FY 2013/2014. The reduction is largely attributable to a reduction in non-entitlement grants and corresponding grant expenditures, which decreased \$9.0 million from fiscal year 2012/2013. That \$9.0 million decrease was offset by a \$7.3 million increase from FY 2012/2013 as a result of increased infrastructure and capital expenditures, and a \$1.2 million reduction in various other governmental activity expenditures. Departmental reorganizations accounted for differences in expenses from FY 2013/2013 to FY 2013/2014, with departmental divisions being moved from Community development to Public Safety, and Information Technology with the General Government category being moved to an internal service fund (therefore, funded by various funds).

Business-type Activities. Net position of the business-type activities increased by \$5.4 million during the fiscal year to \$261.1 million. The increase was mainly attributable to a \$2.2 million increase in parking service from a loan release and a \$3.0 increase in sewer system operations during the fiscal year which are necessary to fund the debt associated with the Combined Sewer Overflow (CSO) program in future years.

Financial Analysis of the City's Funds

As the City completed the fiscal year, its governmental funds reported combined ending fund balances of \$22.8 million. Of this, \$9.6 million is legally restricted and/or unavailable to spend (i.e. amounts tied up in inventories), and \$6.7 million is committed for designated projects, leaving \$6.5 million unassigned.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

General Fund Budgetary Highlights

The FY 2013/2014 budget was adopted as a balanced budget, based on projected revenues, without any use of reserves. The City budgeted a vacancy factor in its General Fund to account for anticipated positions that would become vacant during the course of the year. Because vacancies that will occur within each department can not be projected, the vacancy factor is budgeted as a single line item of the General Fund and allocated to various departments through a budget amendment during the year. During the course of the fiscal year, the budget was amended to allocate the vacancy factor, and to recognize projected increases in revenues, as well as additional expenditures required as the result of a severe winter, including a major ice storm that required debris collection across the City.

General Fund reserves, combined with the Budget Stabilization Fund (combined for financial statement purposes) increased \$0.5 million from FY 2012/2013 from \$8.7 million to \$9.2 million. However, \$906,216 of expenditures were from restricted (committed) reserves. As a result, unassigned fund balance increased \$1.4 million, or 25.2% from fiscal year 2012/2013. This \$1.4 million increase was attributable to General Fund expenditures and operating transfers ending the year less than budgeted, due largely to position vacancies.

The FY 2014/2015 budget, adopted at levels commensurate with projected decreases in property values and other revenue levels experienced in FY 2013/2014, is budgeted to increase unassigned reserves by \$500,000.

Sewage Disposal Fund

Net position increased \$3.0 million to \$237.9 million in FY 2014. Unrestricted net position increased \$3.1 million, from \$23.4 million to \$26.5 million. These increases were attributable to increases in sewer rates during the fiscal year which are necessary to fund the debt associated with the Combined Sewer Overflow (CSO) program in future years.

Municipal Parking Fund

The Municipal Parking Fund net position increased \$2.2 million, from \$17.1 million to \$19.3 million. Unrestricted net position increased \$2.6 million, from \$7.4 million to \$10.0 million. The increase was largely due to a \$1.7 million loan release.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

Capital Assets. At the end of the fiscal year 2014, the City had invested \$577.5 million, net of accumulated depreciation, in a broad range of capital assets (see the table below). Additional information regarding the City's capital assets can be found in Footnote 6 of the of the Notes to the Financial Statements section of the CAFR.

Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 25,725,672	\$ 25,690,735	\$ 13,483,909	\$ 13,483,909	\$ 39,209,581	\$ 39,174,644
Land improvements	9,140,079	8,565,261	11,907,987	12,179,183	21,048,066	20,744,444
Buildings and improvements	53,049,485	51,236,128	101,100,442	105,232,796	154,149,927	156,468,924
Equipment	5,708,965	5,460,316	1,955,425	286,281	7,664,390	5,746,597
Infrastructure	92,028,470	96,698,897	253,517,073	258,219,955	345,545,543	354,918,852
Construction in progress	2,281,413	5,289,601	7,645,877	8,509,838	9,927,290	13,799,439
Total capital assets, net	\$ 187,934,084	\$ 192,940,938	\$ 389,610,713	\$ 397,911,962	\$ 577,544,797	\$ 590,852,900

Debt Administration. The City, along with the Lansing Building Authority (LBA), a blended component unit of the City, is empowered by law to authorize, issue, and sell debt obligations. Limited tax and unlimited tax general obligation bonds are backed by the full faith and credit of the City. The City also issues revenue-dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally-restricted revenues. The Sewage Disposal fund has the City's only dedicated revenue bonds currently outstanding. LBA's bonds financed the construction of parking, golf course, and firing range improvements. Revenues derived from user fees from persons using parking and golf facilities fund the debt service requirements for related improvements, but they are also backed by a limited tax pledge.

CITY OF LANSING, MICHIGAN

Management's Discussion and Analysis

	Outstanding Debt	
	2014	2013
Governmental activities		
General obligation bonds	\$ 27,145,000	\$ 29,932,000
Installment purchase contracts	3,100,563	2,807,838
Loans	7,062,234	6,246,743
Compensated absences	10,153,254	10,138,900
Workers compensation	5,967,593	6,986,062
Tax settlement	104,322	156,483
Deferred amounts:		
For issuance discounts	(86,654)	(93,487)
For issuance premiums	121,948	156,091
Total governmental activities	53,568,260	56,330,630
Business-type activities		
General obligation bonds	175,033,286	182,127,578
Revenue bonds	21,765,000	25,030,000
Installment purchase agreements	1,668,081	-
Loans	-	1,702,664
Compensated absences	866,003	733,908
Deferred amounts:		
For issuance discounts	(782,377)	(2,020,876)
For issuance premiums	2,511,390	2,751,555
Total business-type activities	201,061,383	210,324,829
Total outstanding debt	\$ 254,629,643	\$ 266,655,459

The City procured a \$986,300 loan from the State of Michigan for street and bridge repairs and entered into a \$1.5 million installment purchase agreement for trucks, both of which are categorized as Governmental activity debt. The City also issued \$3.4 million in State revolving loan fund debt for the City's Wet Weather (formerly Combined Sewer Overflow/Sanitary Sewer Overflow) environmental program in the sewer (proprietary) fund, as well as a \$1.7 million installment purchase contract for recycling carts, both of which are considered Business-type activity debt. Under special legislation from the State of Michigan, a restructuring of bonds associated with the parking system and tax increment financing district occurred, resulting in a net increase of \$2.2 million in general obligation Business-type activity debt. During the year, a \$1.7 million loan was released, which was also categorized as Business-type activity debt. Reductions in the other categories listed above are due debt payments made during the course of the fiscal year. More detailed information regarding these activities and funds can be found in Footnote 9 of the of the Notes to the Financial Statements section of the CAFR.

Economic Condition and Outlook

Emerging from the Great Recession, Lansing's property values, upon which General Fund property taxes are based, have stabilized, and income taxes have strengthened. Indeed, the 2013/2014 fiscal year resulted in a \$1.4 million addition to General Fund unassigned reserves. Lansing's financial picture as a whole has stabilized, but significant challenges remain. Revenue shortfalls during the recession resulted in significant drawdown on its General Fund reserves. While the fiscal year 2013/2014 results improved reserve levels, Lansing's reserve levels are still low. Going forward, State limitations on property tax growth will continue to constrain resources, and pension, healthcare, and infrastructure funding needs continue to significant budgetary challenges.

Management's Discussion and Analysis

The City continues strategies implemented by Mayor Virg Bernero during the Recession to address these challenges: maximizing revenues; reducing expenses; improving operational and technological efficiencies; consolidating like functions; pursuing regional collaboration and partnerships for services; working with the City's workforce and labor unions to contain the rising cost of healthcare, pension, and other compensation costs, both now and into the future; and continuing work with the Financial Health Team appointed by the Mayor in 2012 to identify both short-term and long-term strategies to strengthen Lansing, as well as the metropolitan Lansing region.

Strengthening the City's economic base and building back up General Fund reserves to pre-Recession levels are top priorities. Accordingly, in addition to fiscal year 2013/2014 results, the City has implemented a new General Fund balance policy in order to build back reserves starting with fiscal year 2014/2015 budget, and conservative revenue projections are anticipated to further the addition to reserves by the end of the fiscal year. In terms of economic development, even during the Recession, which included a historic credit crisis in the private sector, the City has seen significant economic development announcements (see Economic Condition and Outlook in the Transmittal Letter) that have received national recognition; those efforts have had continued success.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Copies of this financial report, as well as other financial reports, are available on the City's website, www.lansingmi.gov. If you have any questions about this report or need additional financial information, please feel free to contact the Finance Department at (517) 483-4500.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LANSING, MICHIGAN

Statement of Net Position

June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Assets				
Cash and investments	\$ 23,744,085	\$ 18,032,987	\$ 41,777,072	\$ 2,303,169
Receivables, net	37,530,324	28,256,345	65,786,669	963,394
Internal balances	(15,615,251)	15,615,251	-	-
Due from primary government	-	-	-	2,206,788
Inventories, prepaids and other assets	1,935,891	434,187	2,370,078	129,681
Restricted assets:				
Cash and investments	-	9,649,979	9,649,979	1,736,241
Capital assets not being depreciated	28,007,085	21,129,786	49,136,871	-
Capital assets being depreciated, net	159,926,999	368,480,927	528,407,926	14,398
Total assets	235,529,133	461,599,462	697,128,595	7,353,671
Deferred outflows of resources				
Deferred refunding loss	201,592	3,163,496	3,365,088	4,588,603
Liabilities				
Accounts payable and accrued liabilities	14,638,908	1,429,057	16,067,965	1,510,906
Accrued interest payable	179,819	1,068,981	1,248,800	15,607,525
Unearned revenue	562,468	107,547	670,015	493,788
Due to component units	2,206,788	-	2,206,788	-
Long-term liabilities:				
Due within one year	5,751,001	14,326,328	20,077,329	241,079
Due in more than one year	47,817,259	186,735,055	234,552,314	29,369,737
Net pension obligation	246,093	-	246,093	-
Net other postemployment benefit obligation	46,563,797	-	46,563,797	-
Total liabilities	117,966,133	203,666,968	321,633,101	47,223,035
Net position				
Net investment in capital assets	150,976,010	214,458,841	365,434,851	14,398
Restricted for:				
Public safety	1,084,370	-	1,084,370	-
Public works	6,727,918	-	6,727,918	-
Community development	3,380,209	-	3,380,209	-
Federal and state programs	185,191	-	185,191	-
Donations	36,854	-	36,854	-
Debt service	-	8,029,091	8,029,091	-
Capital projects	-	717,005	717,005	-
Endowments (nonexpendable)	1,718,595	-	1,718,595	-
Unrestricted (deficit)	(46,344,555)	37,891,053	(8,453,502)	(35,295,159)
Total net position (deficit)	\$ 117,764,592	\$ 261,095,990	\$ 378,860,582	\$ (35,280,761)

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2014

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 24,771,054	\$ 6,820,261	\$ 2,382,985	\$ -	\$ (15,567,808)
Public safety	78,142,897	2,122,023	8,915,990	-	(67,104,884)
Public works	37,243,516	2,129,126	9,257,293	3,365,682	(22,491,415)
Recreation and culture	8,670,918	800,293	55,600	-	(7,815,025)
Community development	7,602,229	67,323	7,622,935	-	88,029
Interest on long-term debt	1,340,818	-	-	-	(1,340,818)
Total governmental activities	157,771,432	11,939,026	28,234,803	3,365,682	(114,231,921)
Business-type activities:					
Sewage disposal system	28,682,809	31,759,698	-	-	3,076,889
Municipal parking system	7,851,702	7,453,476	2,574,949	-	2,176,723
Cemetery	722,270	289,565	-	-	(432,705)
Golf	935,671	366,567	-	-	(569,104)
Garbage and rubbish collection	1,722,843	1,664,201	-	-	(58,642)
Recycling	3,263,553	3,508,536	-	-	244,983
Total business-type activities	43,178,848	45,042,043	2,574,949	-	4,438,144
Total primary government	\$ 200,950,280	\$ 56,981,069	\$ 30,809,752	\$ 3,365,682	\$ (109,793,777)
Component units					
Brownfield redevelopment	\$ 1,732,268	\$ -	\$ 787,323	\$ -	\$ (944,945)
Community development	3,765,599	-	-	-	(3,765,599)
Recreation and culture	6,915,176	5,599,274	1,208,780	-	(107,122)
Total component units	\$ 12,413,043	\$ 5,599,274	\$ 1,996,103	\$ -	\$ (4,817,666)

continued...

CITY OF LANSING, MICHIGAN

Statement of Activities For the Year Ended June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
Changes in net position				
Net (expense) revenues	\$ (114,231,921)	\$ 4,438,144	\$ (109,793,777)	\$ (4,817,666)
General revenues:				
Property taxes	38,079,548	-	38,079,548	3,994,832
Income taxes	31,450,913	-	31,450,913	-
Grants and contributions not restricted to specific programs	35,677,910	-	35,677,910	-
Unrestricted investment earnings	36,836	246,616	283,452	6,398
Gain on sale of capital assets	-	2,600	2,600	-
Transfers - internal activities	(705,637)	705,637	-	-
Total general revenues and transfers	104,539,570	954,853	105,494,423	4,001,230
Change in net position	(9,692,351)	5,392,997	(4,299,354)	(816,436)
Net position (deficit), beginning of year, as restated	127,456,943	255,702,993	383,159,936	(34,464,325)
Net position (deficit), end of year	\$ 117,764,592	\$ 261,095,990	\$ 378,860,582	\$ (35,280,761)

concluded

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

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CITY OF LANSING, MICHIGAN

Governmental Fund Financial Statements

Major Funds

The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund.

Nonmajor Funds

Nonmajor governmental funds are presented, by fund type, beginning on the pages listed below:

Special revenue funds, page 130.

Debt service funds, page 142.

Capital projects funds, page 146.

Permanent funds, page 152.

CITY OF LANSING, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2014

	General	Nonmajor Governmental Funds	Totals
Assets			
Cash and cash equivalents	\$ 318,312	\$ 57,262	\$ 375,574
Equity in pooled cash and investments	9,347,393	9,787,948	19,135,341
Accounts receivable, net	21,315,215	154,877	21,470,092
Taxes receivable	628,201	-	628,201
Special assessments receivable	-	500,778	500,778
Loans receivable	-	1,432,342	1,432,342
Accrued interest receivable	-	2,147,867	2,147,867
Due from other funds	6,390,868	4,055,000	10,445,868
Due from other governments	4,910,767	6,015,078	10,925,845
Inventories	49,601	833,380	882,981
Prepays	30,169	-	30,169
Total assets	\$ 42,990,526	\$ 24,984,532	\$ 67,975,058
Liabilities			
Accounts payable	\$ 3,421,929	\$ 2,712,490	\$ 6,134,419
Deposits payable	-	47,028	47,028
Accrued payroll	1,935,015	32,981	1,967,996
Retainage payable	200,089	-	200,089
Due to other funds	20,613,895	3,780,000	24,393,895
Due to component units	2,206,788	-	2,206,788
Advance from other funds	-	362,224	362,224
Due to other governments	2,916,501	333,749	3,250,250
Unearned revenue	227,071	335,397	562,468
Other	608,454	-	608,454
Total liabilities	32,129,742	7,603,869	39,733,611
Deferred inflows of resources			
Unavailable revenue - fees	1,652,722	-	1,652,722
Unavailable revenue - loans and accrued interest receivable	-	3,380,209	3,380,209
Unavailable revenue - special assessments	-	444,596	444,596
Total deferred inflows of resources	1,652,722	3,824,805	5,477,527
Fund balances			
Nonspendable	79,770	2,551,975	2,631,745
Restricted	36,854	6,902,928	6,939,782
Committed	2,038,608	4,623,112	6,661,720
Unassigned (deficit)	7,052,830	(522,157)	6,530,673
Total fund balances	9,208,062	13,555,858	22,763,920
Total liabilities, deferred inflows of resources and fund balances	\$ 42,990,526	\$ 24,984,532	\$ 67,975,058

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2014

Fund balances - total governmental funds	\$ 22,763,920
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Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated	28,007,085
Capital assets being depreciated, net	159,926,999
Capital assets accounted for in internal service funds, net	(13,326,936)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows of resources in the governmental funds and, therefore, are not included in fund balance.

Deferred ambulance fees receivable	1,006,779
Deferred nuisance fees receivable	583,808
Deferred loans receivable	1,232,342
Deferred long-term interest receivable	2,147,867
Deferred long-term special assessments receivable	444,596
Deferred long-term taxes and tax settlement receivables	62,135

Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

	8,200,789
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Long-term liabilities and related deferred outflows are not due and payable in the current period and therefore are not reported in the funds.

Bonds, loans and leases payable	(31,127,222)
Deferred loss on refunding	194,713
Accrued interest on bonds, loans and leases payable	(134,197)
Net pension obligation	(246,093)
Net other postemployment benefit obligation	(46,563,797)
Compensated absences and other long-term liabilities	(15,408,196)

Net position of governmental activities	<u>\$ 117,764,592</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2014

	General	Nonmajor Governmental Funds	Totals
Revenues			
Taxes and special assessments	\$ 37,146,069	\$ 1,005,093	\$ 38,151,162
Income taxes	31,450,913	-	31,450,913
Licenses and permits	1,508,133	-	1,508,133
Intergovernmental	15,036,232	26,622,203	41,658,435
Charges for services	8,348,581	4,688,433	13,037,014
Fines and forfeits	2,315,597	422,795	2,738,392
Interest and rents	49,134	7,416	56,550
Contributions	20,715,882	10,000	20,725,882
Other revenues	196,380	457,126	653,506
Total revenues	116,766,921	33,213,066	149,979,987
Expenditures			
Current expenditures:			
General government	18,149,864	2,913,725	21,063,589
Public safety	66,701,402	5,366,896	72,068,298
Public works	10,095,380	3,361,393	13,456,773
Highways and streets	-	10,496,880	10,496,880
Recreation and culture	7,741,209	716,235	8,457,444
Community development		3,646,035	3,646,035
Other functions	2,620,316	-	2,620,316
Debt service:			
Principal	1,462,295	2,022,809	3,485,104
Interest	438,455	746,802	1,185,257
Capital outlay	-	8,715,193	8,715,193
Total expenditures	107,208,921	37,985,968	145,194,889
Revenues over (under) expenditures	9,558,000	(4,772,902)	4,785,098
Other financing sources (uses)			
Transfers in	385,000	10,137,162	10,522,162
Transfers out	(9,503,151)	(3,344,648)	(12,847,799)
Proceeds on sale of capital assets	73,139	94,598	167,737
Issuance of long-term debt	-	986,300	986,300
Total other financing sources (uses)	(9,045,012)	7,873,412	(1,171,600)
Net change in fund balances	512,988	3,100,510	3,613,498
Fund balances, beginning of year	8,695,074	10,455,348	19,150,422
Fund balances, end of year	\$ 9,208,062	\$ 13,555,858	\$ 22,763,920

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ 3,613,498

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets purchased/constructed	7,007,813
Depreciation expense	(13,736,351)
Loss on sale of capital assets	(1,235,003)
Proceeds on sale of capital assets	(167,737)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Change in deferred ambulance fees receivable	(1,153,346)
Change in deferred nuisance fees receivable	(31,679)
Change in deferred loans receivable	(1,927)
Change in deferred long-term interest receivable	69,250
Change in deferred special assessments receivable	(97,774)
Change in deferred taxes and tax settlement receivables	(26,001)

Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The net increase (decrease) in the net position of the internal service funds is reported with governmental activities.

Net operating loss from governmental activities in internal service funds	(651,257)
Loss on sale of capital assets from governmental internal service funds	345,736
Interest expense from governmental internal service funds	(186,980)
Transfers in from governmental internal service funds	1,620,000

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of long-term debt	(986,300)
Principal payments on long-term liabilities	3,485,104

Certain expenditures are reported in governmental funds that reduce long-term liabilities for purposes of the statement of net position.

Change in estimated liability for workers' compensation	1,018,469
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in accrued interest payable on long-term liabilities	32,957
Amortization of issuance premiums and discounts, and deferred refunding losses	(1,538)
Change in net other postemployment benefit obligation	(8,755,530)
Change in net pension obligation	(2,965)
Change in the accrual for compensated absences	97,049
Change in the accrual for tax settlement agreement	52,161

Change in net position of governmental activities	\$ (9,692,351)
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The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 37,524,500	\$ 37,524,500	\$ 37,146,069	\$ (378,431)
Income taxes	29,130,000	30,355,000	31,450,913	1,095,913
Licenses and permits	1,564,700	1,553,100	1,508,133	(44,967)
Intergovernmental	14,568,300	14,568,300	15,036,232	467,932
Charges for services	9,001,000	9,402,600	8,348,581	(1,054,019)
Fines and forfeits	2,595,400	2,595,400	2,315,597	(279,803)
Interest and rents	60,000	60,000	49,134	(10,866)
Contributions	20,905,390	20,762,353	20,715,882	(46,471)
Other revenues	-	132,100	196,380	64,280
Total revenues	115,349,290	116,953,353	116,766,921	(186,432)
Expenditures				
General government:				
Attorney's office	1,450,050	1,466,533	1,417,510	(49,023)
City clerk	878,850	932,067	906,432	(25,635)
Council	626,040	634,589	613,970	(20,619)
Courts	5,596,560	5,646,807	5,473,601	(173,206)
Internal audit	184,200	186,694	175,996	(10,698)
Finance	4,885,760	4,663,350	4,506,989	(156,361)
Library rental	155,000	155,000	154,737	(263)
LEPFA support	311,400	1,208,780	1,208,780	-
Human resources	1,610,340	1,623,843	1,567,489	(56,354)
Mayor	748,180	819,940	826,471	6,531
Office of community media	333,740	336,680	336,702	22
Planning / neighborhood development	841,360	854,984	961,187	106,203
Budgetary savings from attrition	(600,000)	-	-	-
Total general government	17,021,480	18,529,267	18,149,864	(379,403)
Public safety:				
Police	35,359,530	35,484,905	34,995,936	(488,969)
Fire	33,181,260	32,741,881	31,705,466	(1,036,415)
Total public safety	68,540,790	68,226,786	66,701,402	(1,525,384)
Public works	9,437,430	9,801,661	10,095,380	293,719
Recreation and culture	7,042,520	7,135,872	7,741,209	605,337

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CITY OF LANSING, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Other functions:				
Human relations / community services	\$ 868,090	\$ 878,162	\$ 926,388	\$ 48,226
Human services / community support	1,395,000	1,918,017	1,693,928	(224,089)
Total other functions	<u>2,263,090</u>	<u>2,796,179</u>	<u>2,620,316</u>	<u>(175,863)</u>
Debt service:				
Principal	948,220	1,462,620	1,462,295	(325)
Interest	444,000	444,000	438,455	(5,545)
Total debt service	<u>1,392,220</u>	<u>1,906,620</u>	<u>1,900,750</u>	<u>(5,870)</u>
Total expenditures	<u>105,697,530</u>	<u>108,396,385</u>	<u>107,208,921</u>	<u>(1,187,464)</u>
Revenues over expenditures	<u>9,651,760</u>	<u>8,556,968</u>	<u>9,558,000</u>	<u>1,001,032</u>
Other financing sources (uses)				
Transfers in	85,000	385,000	385,000	-
Transfers out	(9,736,760)	(9,439,986)	(9,503,151)	63,165
Proceeds on sale of capital assets	-	8,000	73,139	65,139
Total other financing sources (uses)	<u>(9,651,760)</u>	<u>(9,046,986)</u>	<u>(9,045,012)</u>	<u>1,974</u>
Net change in fund balance	-	(490,018)	512,988	1,003,006
Fund balance, beginning of year	<u>8,695,074</u>	<u>8,695,074</u>	<u>8,695,074</u>	-
Fund balance, end of year	<u>\$ 8,695,074</u>	<u>\$ 8,205,056</u>	<u>\$ 9,208,062</u>	<u>\$ 1,003,006</u>

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The accompanying notes are an integral part of the financial statements.

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CITY OF LANSING, MICHIGAN

Proprietary Fund Financial Statements

Major Funds

The Sewage Disposal System Fund accounts for the provision of sewage disposal services to the residents of the City.

The Municipal Parking System Fund accounts for the operation of City-owned parking facilities.

Nonmajor Funds and Internal Service Funds

Nonmajor enterprise funds and internal service funds are presented, by fund type, beginning on the pages listed below:

Nonmajor enterprise funds, page 156.

Internal service funds, page 162.

CITY OF LANSING, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewage Disposal System	Municipal Parking System	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ -	\$ 672,573	\$ 500	\$ 673,073	\$ 1,892,332
Equity in pooled cash and investments	10,513,603	5,024,198	1,822,113	17,359,914	2,972,619
Accounts receivable, net	5,056,709	430,646	55,876	5,543,231	425,199
Accrued interest receivable	52,596	74,268	-	126,864	-
Lease receivable, current	612,693	-	-	612,693	-
Loans receivable, current	-	241,079	-	241,079	-
Inventories	346,009	-	88,178	434,187	472,528
Prepays	-	-	-	-	550,213
Due from other funds	18,385,874	3,258,021	-	21,643,895	-
Total current assets	34,967,484	9,700,785	1,966,667	46,634,936	6,312,891
Noncurrent assets:					
Restricted cash and cash equivalents	8,932,974	717,005	-	9,649,979	-
Advances to other funds	-	362,224	-	362,224	-
Lease receivable, net of current portion	9,408,506	11,858,813	-	21,267,319	-
Loans receivable, net of current portion	-	465,159	-	465,159	-
Capital assets not being depreciated	8,066,625	12,558,920	504,241	21,129,786	1,715,680
Capital assets being depreciated, net	343,437,782	21,133,294	3,909,851	368,480,927	11,611,256
Total noncurrent assets	369,845,887	47,095,415	4,414,092	421,355,394	13,326,936
Total assets	404,813,371	56,796,200	6,380,759	467,990,330	19,639,827
Deferred outflows of resources					
Deferred refunding loss	1,389,152	1,767,053	7,291	3,163,496	6,879
Liabilities					
Current liabilities:					
Accounts payable	915,507	208,758	148,915	1,273,180	1,507,694
Deposits payable	-	57,355	4,140	61,495	-
Accrued interest payable	903,883	156,314	8,784	1,068,981	45,622
Accrued payroll	54,026	23,900	16,456	94,382	91,170
Claims incurred but not reported	-	-	-	-	831,808
Due to other funds	6,385,597	-	5,271	6,390,868	1,305,000
Negative equity in pooled cash and investments	-	-	-	-	631,781
Unearned revenues	-	-	107,547	107,547	-
Bonds and notes payable, current portion	12,234,366	1,745,000	308,649	14,288,015	848,702
Compensated absences, current portion	35,907	2,406	-	38,313	104,136
Total current liabilities	20,529,286	2,193,733	599,762	23,322,781	5,365,913
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	147,292,667	36,950,266	1,664,432	185,907,365	5,367,167
Compensated absences, net of current portion	464,533	119,620	243,537	827,690	712,837
Total noncurrent liabilities	147,757,200	37,069,886	1,907,969	186,735,055	6,080,004
Total liabilities	168,286,486	39,263,619	2,507,731	210,057,836	11,445,917
Net position					
Net investment in capital assets	203,387,725	8,622,814	2,448,302	214,458,841	7,117,946
Restricted for debt retirement	8,029,091	-	-	8,029,091	-
Restricted for capital projects	-	717,005	-	717,005	-
Unrestricted	26,499,221	9,959,815	1,432,017	37,891,053	1,082,843
Total net position	\$ 237,916,037	\$ 19,299,634	\$ 3,880,319	\$ 261,095,990	\$ 8,200,789

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewage Disposal System	Municipal Parking System	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating revenues					
Charges for services	\$ 31,759,698	\$ 7,453,476	\$ 5,828,869	\$ 45,042,043	\$ 75,132,329
Operating expenses					
Personal services	6,093,500	2,489,630	3,687,771	12,270,901	7,756,339
Purchase of goods and services	7,331,401	1,123,430	2,650,214	11,105,045	66,545,184
Depreciation	10,315,747	2,379,395	257,814	12,952,956	1,482,063
Total operating expenses	23,740,648	5,992,455	6,595,799	36,328,902	75,783,586
Operating income (loss)	8,019,050	1,461,021	(766,930)	8,713,141	(651,257)
Nonoperating revenues (expenses)					
Intergovernmental	-	1,702,664	-	1,702,664	-
Interest revenue	237,096	-	9,520	246,616	-
Gain on sale of capital assets	-	2,600	-	2,600	345,736
Interest expense and fees	(4,169,230)	(1,859,247)	(48,538)	(6,077,015)	(186,980)
Other revenue (expense)	(772,931)	872,285	-	99,354	-
Total nonoperating expenses	(4,705,065)	718,302	(39,018)	(4,025,781)	158,756
Income (loss) before transfers	3,313,985	2,179,323	(805,948)	4,687,360	(492,501)
Transfers in	-	-	1,021,287	1,021,287	1,620,000
Transfers out	(300,000)	-	(15,650)	(315,650)	-
Change in net position	3,013,985	2,179,323	199,689	5,392,997	1,127,499
Net position, beginning of year, as restated	234,902,052	17,120,311	3,680,630	255,702,993	7,073,290
Net position, end of year	\$ 237,916,037	\$ 19,299,634	\$ 3,880,319	\$ 261,095,990	\$ 8,200,789

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewage Disposal System	Municipal Parking System	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 32,721,037	\$ 5,277,936	\$ 5,858,989	\$ 43,857,962	\$ -
Cash received from interfund services	-	-	-	-	76,095,336
Cash payments for goods and services	(6,797,386)	(1,066,882)	(3,195,129)	(11,059,397)	(66,846,625)
Cash payments to employees	(6,006,460)	(2,445,797)	(3,668,415)	(12,120,672)	(7,600,534)
Net cash provided by (used in) operating activities	19,917,191	1,765,257	(1,004,555)	20,677,893	1,648,177
Cash flows from noncapital financing activities					
Transfers in	-	-	1,021,287	1,021,287	1,620,000
Transfers out	(300,000)	-	(15,650)	(315,650)	-
Cash received on interfund advances	-	107,103	-	107,103	-
Net cash provided by (used in) noncapital financing activities	(300,000)	107,103	1,005,637	812,740	1,620,000
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	-	2,600	-	2,600	345,736
Acquisition and construction of capital assets	(2,432,607)	(658,465)	(1,806,073)	(4,897,145)	(4,606,487)
Cash received for finance charges	-	53,174	-	53,174	-
Proceeds from issuance of long-term debt	2,582,707	7,245,000	1,737,700	11,565,407	1,550,855
Principal paid on long-term debt	(14,199,930)	(1,685,000)	(169,619)	(16,054,549)	(730,835)
Interest paid on long-term debt	(4,303,042)	(1,544,843)	(38,067)	(5,885,952)	(173,372)
Amount paid to refunding bond escrow agent	-	(4,973,199)	-	(4,973,199)	-
Payments received on capital lease	763,706	-	-	763,706	-
Net cash used in capital and related financing activities	(17,589,166)	(1,560,733)	(276,059)	(19,425,958)	(3,614,103)
Cash flows from investing activities					
Interest and dividends received	239,194	-	9,520	248,714	-
Payments received on loans made to others	-	179,993	-	179,993	-
Net cash provided by (used in) investing activities	239,194	179,993	9,520	428,707	-
Net change in cash and cash equivalents	2,267,219	491,620	(265,457)	2,493,382	(345,926)
Cash and cash equivalents, beginning of year	17,179,358	5,922,156	2,088,070	25,189,584	4,579,096
Cash and cash equivalents, end of year	\$ 19,446,577	\$ 6,413,776	\$ 1,822,613	\$ 27,682,966	\$ 4,233,170
Reconciliation to statement of net position					
Cash and cash equivalents	\$ -	\$ 672,573	\$ 500	\$ 673,073	\$ 1,892,332
Equity in pooled cash and investments	10,513,603	5,024,198	1,822,113	17,359,914	2,972,619
Restricted cash and cash equivalents	8,932,974	717,005	-	9,649,979	-
Negative equity in pooled cash and investments	-	-	-	-	(631,781)
	\$ 19,446,577	\$ 6,413,776	\$ 1,822,613	\$ 27,682,966	\$ 4,233,170

continued...

CITY OF LANSING, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewage Disposal System	Municipal Parking System	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 8,019,050	\$ 1,461,021	\$ (766,930)	\$ 8,713,141	\$ (651,257)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	10,315,747	2,379,395	257,814	12,952,956	1,482,063
Net book value of disposed capital costs	245,438	-	-	245,438	-
Change in operating assets and liabilities that provided (used) cash:					
Accounts receivable	(1,049,035)	38,165	(12,493)	(1,023,363)	12,763
Inventories	15,930	-	(1,002)	14,928	371,190
Prepays	-	5,923	-	5,923	(143,598)
Due from other funds	2,010,374	(2,231,560)	-	(221,186)	950,244
Accounts payable	422,321	50,625	26,087	499,033	(334,033)
Deposits payable	-	17,855	(270)	17,585	-
Accrued payroll	10,220	5,849	2,065	18,134	26,608
Claims incurred but not reported	-	-	-	-	17,794
Due to other funds	(149,674)	-	(570,000)	(719,674)	(195,000)
Unearned revenues	-	-	42,883	42,883	-
Compensated absences	76,820	37,984	17,291	132,095	111,403
Net cash provided by (used in) operating activities	<u>\$ 19,917,191</u>	<u>\$ 1,765,257</u>	<u>\$ (1,004,555)</u>	<u>\$ 20,677,893</u>	<u>\$ 1,648,177</u>

concluded

Non-cash transactions

The sewer disposal system fund other revenue (expense) includes a non-cash addition to long-term debt in the amount of \$772,931 for revision in previously granted loan forgiveness applied to the balance of one of the drinking water revolving loans the year ended June 30, 2014.

The municipal parking system fund received non-cash loan forgiveness of \$1,702,664 for the year ended June 30, 2014.

The accompanying notes are an integral part of the financial statements.

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CITY OF LANSING, MICHIGAN

Fiduciary Fund Financial Statement

Pension and Other Postemployment Benefit Trust Funds - Employee pension and other postemployment benefit trust funds accept payments made by the City, invest fund resources, calculate and pay pensions to retirees (or beneficiaries), and account for postemployment healthcare coverage.

Combining schedules for fiduciary funds are presented in the notes to the financial statements.

Agency Funds - *These funds* account for resources held in a trustee or agent capacity for the 54-A District Court.

Combining statements for agency funds are presented, by fund type, beginning on page 168.

CITY OF LANSING, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	Pension and Other Postemployment Benefits Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 46,678,018	\$ -
Equity in pooled cash and investments	-	91,410
Investments:		
Money market funds	4,865,668	
Government obligations	75,796,958	-
Corporate bonds	59,530,701	-
Common stocks	143,348,516	-
Mutual funds	231,644,520	-
Contribution receivable	6,731	-
Dividends and interest receivable	620,563	-
Total assets	<u>562,491,675</u>	<u>\$ 91,410</u>
Liabilities		
Accounts payable	11,872,990	\$ -
Undistributed receipts	-	91,410
Total liabilities	<u>11,872,990</u>	<u>\$ 91,410</u>
Net position restricted for		
Pension benefits	487,548,911	
Other postemployment benefits	63,069,774	
Total net position	<u>\$ 550,618,685</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF LANSING, MICHIGAN

Statement of Changes in Fiduciary Net Position

Pension and Other Postemployment Benefit Trust Funds
For the Year Ended June 30, 2014

Additions

Investment income:

Net appreciation in fair value of investments	\$ 53,642,729
Interest income	4,875,014
Dividend income	1,776,438
Investment expenses	(5,660)

Net investment income	60,288,521
-----------------------	------------

Contributions:

Employer	43,627,667
Plan members	4,206,068

Total contributions	47,833,735
---------------------	------------

Total additions	108,122,256
-----------------	-------------

Deductions

Participant benefits	70,727,799
Administrative expense	1,882,543

Total deductions	72,610,342
------------------	------------

Change in net position	35,511,914
------------------------	------------

Net position restricted for pension and other postemployment benefits

Beginning of year	515,106,771
-------------------	-------------

End of year	\$ 550,618,685
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The accompanying notes are an integral part of the financial statements.

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COMPONENT UNITS

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CITY OF LANSING, MICHIGAN

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The City has four discretely presented component units:

- Brownfield Redevelopment Authority
- Tax Increment Finance Authority
- Lansing Entertainment and Public Facilities Authority
- SmartZone

Complete financial statements for each of the individual component units, excluding SmartZone, may be obtained from the entity's administrative offices. Separately-issued financial statements are not prepared for the SmartZone.

CITY OF LANSING, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2014

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Lansing Entertainment & Public Facilities Authority	Smart Zone	Totals
Assets					
Cash and cash equivalents	\$ 952,780	\$ 1,158,277	\$ 192,112	\$ -	\$ 2,303,169
Receivables, net	534,195	564	428,635	-	963,394
Due from primary government	1,059,742	1,144,434	-	2,612	2,206,788
Inventories, prepaids and other assets	-	-	129,681	-	129,681
Restricted cash and cash equivalents	-	904,545	831,696	-	1,736,241
Capital assets being depreciated, net	-	-	14,398	-	14,398
Total assets	2,546,717	3,207,820	1,596,522	2,612	7,353,671
Deferred outflows of resources					
Deferred refunding loss	-	4,588,603	-	-	4,588,603
Liabilities					
Accounts payable and accrued liabilities	1,235,321	15,561	260,024	-	1,510,906
Accrued interest payable	-	15,458,601	148,924	-	15,607,525
Unearned revenues	-	-	493,788	-	493,788
Long-term debt:					
Due within one year	241,079	-	-	-	241,079
Due in more than one year	465,159	28,904,578	-	-	29,369,737
Total liabilities	1,941,559	44,378,740	902,736	-	47,223,035
Net position					
Net investment in capital assets	-	-	14,398	-	14,398
Unrestricted (deficit)	605,158	(36,582,317)	679,388	2,612	(35,295,159)
Total net position (deficit)	\$ 605,158	\$ (36,582,317)	\$ 693,786	\$ 2,612	\$ (35,280,761)

The accompanying notes are an integral part of the financial statements.

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CITY OF LANSING, MICHIGAN

Combining Statement of Activities Discretely Presented Component Units For the Year Ended June 30, 2014

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Lansing Entertainment & Public Facilities Authority	Smart Zone	Totals
Expenses					
Brownfield redevelopment	\$ 1,732,268	\$ -	\$ -	\$ -	\$ 1,732,268
Community development	-	3,765,599	-	-	3,765,599
Recreation and culture	-	-	6,915,176	-	6,915,176
Total expenses	1,732,268	3,765,599	6,915,176	-	12,413,043
Program revenues					
Charges for services	-	-	5,599,274	-	5,599,274
Operating grants and contributions	787,323	-	1,208,780	-	1,996,103
Total program revenues	787,323	-	6,808,054	-	7,595,377
Net program revenue (expense)	(944,945)	(3,765,599)	(107,122)	-	(4,817,666)
General revenues					
Property taxes	1,209,741	2,515,321	269,770	-	3,994,832
Unrestricted investment earnings	1,903	4,438	57	-	6,398
Total general revenues	1,211,644	2,519,759	269,827	-	4,001,230
Changes in net position	266,699	(1,245,840)	162,705	-	(816,436)
Net position (deficit), beginning of year, as restated	338,459	(35,336,477)	531,081	2,612	(34,464,325)
Net position (deficit), end of year	\$ 605,158	\$ (36,582,317)	\$ 693,786	\$ 2,612	\$ (35,280,761)

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

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CITY OF LANSING, MICHIGAN

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CITY OF LANSING, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lansing (the “City”) was incorporated in 1859. In 1909, the City came under the provisions of Act 279, P.A. 1909, as amended (“Home Rule City Act”). The City operates under a strong Mayor form of government in which the Mayor is responsible for implementation and administration of City policy as established by City Council.

The accounting and reporting policies of the City conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The financial data of the component units are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Unit

A blended component unit is a legally separate entity from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and its financial data is combined with data of the appropriate funds. The City has one blended component unit, the Building Authority with a fiscal June 30 year-end. This component unit provides services primarily to benefit the City. The blended unit is described as follows:

The Building Authority (the “Authority”) was established by the City under Act 31, Michigan Public Acts of 1948. The Mayor, with the advice and consent of City Council, appoints the Authority’s governing body and designates management. The Authority uses the proceeds of its tax-exempt bonds to finance the construction or acquisition of capital assets for the City only. The bonds are secured by lease agreements with the City and will be retired through lease payments from the City. The financial activity, assets, liabilities and equity of the Authority are incorporated within the City’s Municipal Parking System and Golf enterprise funds, and the 1998 Building Authority Debt Service Fund.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City’s financial statements to be misleading or incomplete. The City has four discretely presented component units, the Brownfield Redevelopment Authority, the Tax Increment Financing Authority, the Lansing Entertainment and Public Facilities Authority, and the Smart Zone, each with a fiscal June 30 year-end. The discretely presented component units are as follows:

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The Lansing Brownfield Redevelopment Authority ("LBRA") was established by the City on August 17, 1997, under the authority contained in Act 381, Michigan Public Acts of 1996 (the "Act"). The Act authorizes the City to establish and to designate the boundaries of a Brownfield redevelopment zone. The Brownfield Redevelopment Authority is appointed by City Council to preside over such a zone, and it is authorized to promote the revitalization of environmentally distressed areas within the City of Lansing. The Act allows the LBRA to participate in a broad range of improvement activities intended to encourage the reuse of industrial and commercial property by offering economic incentives for redevelopment to prevent property value deterioration. Tax increment financing plans must be approved by the City.

Tax increment financing permits the LBRA to capture tax revenues which are attributable to increases in the value of real and personal property located within an approved project area. Current activities of the LBRA include collections of property tax revenues on project areas for the Rite Aid Pharmacy and the former Motor Wheel Site Plant.

The Tax Increment Finance Authority ("TIFA") was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981 ("Act 450"). Act 450 authorizes the City to designate specific districts within its corporate limits as TIFA districts. The TIFA presides over such districts, formulating plans for public improvements, economic development, neighborhood revitalization, and historic preservation within the districts. Act 450 allows the TIFA to participate in a broad range of improvement activities intended to contribute to economic growth and prevent property value deterioration. The TIFA's governing body is appointed by the Mayor with the advice and consent of the City Council. Bond issuances, to fund the above activities, are approved by the City Council and the legal liability for the debt remains with the City.

The Lansing Entertainment and Public Facilities Authority ("LEPFA") was established under the charter of the City of Lansing in February 1996, replacing the former Greater Lansing Convention/Exhibition Authority, which had been responsible for operating and managing the Lansing Center and the Lansing Civic Arena (the latter through the fiscal year ended June 30, 1995). LEPFA was established to oversee the management and operations of the Lansing Center, the City Market and the Cooley Law School stadium.

LEPFA is chartered as a building authority under the provisions of Act 31, Public Acts of Michigan, 1948. In the event of dissolution or termination of LEPFA, all assets and rights of the Authority shall revert to the City. LEPFA's Board of Commissioners consists of thirteen members appointed by the Mayor of the City of Lansing and approved by the City Council.

The Lansing Regional SmartZone ("SmartZone") was established by the City of Lansing and the City of East Lansing under the authority contained in Act 281, Public Act of Michigan of 1986 ("Act 281"). Act 281 authorizes the Cities to create a multi-jurisdictional local development finance authority. The SmartZone shall be known and exercise its powers under title of the Local Development Finance Authority of the Cities of Lansing and East Lansing. The SmartZone is fiscally dependent on the City of Lansing; the City approves the annual budget and is responsible for managing the SmartZone. The SmartZone was created in order to eliminate the conditions of unemployment, underemployment and joblessness, and to promote economic growth in the City. The SmartZone's Board of Commissioners consists of seven members, three of which are appointed by the City of Lansing, three are appointed by the City of East Lansing, and one is appointed by the Ingham County Board of Commissioners.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Component Unit Financial Statements

Complete financial statements for the individual component units may be obtained from each entity's administrative offices. Separate financial statements are not prepared for the SmartZone.

City of Lansing Building Authority
8th Floor
124 West Michigan Avenue
Lansing, Michigan 48933

Brownfield Redevelopment Authority / Tax Increment Finance Authority
1000 S Washington Avenue, Suite 201
Lansing, Michigan 48910

Lansing Entertainment and Public Facilities Authority
333 East Michigan Avenue
Lansing, Michigan 48933

Government-Wide and Fund Financial Statements

The government wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues reported in the governmental funds to be available if they are collected within three months after year-end, except for income taxes that use a 45-day collection period, property taxes that use a 60-day collection period, and reimbursement-based grants that use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

General fund. This fund is the City's primary operating fund. It accounts for all the financial resources of the primary government, except those accounted for and reported in another fund.

The City reports the following major enterprise funds:

Sewage Disposal System Fund. This fund accounts for the provision of sewage disposal services to the residents of the City.

Municipal Parking System Fund. This fund accounts for the operation of City-owned parking facilities.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects that comprise, or are expected to comprise a substantial portion of the fund's total reported inflows.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal, interest and related costs.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes operating a maintenance facility for trucks and equipment used by the Public Service Department, health care and self-insurance services, and information technology.

Pension and other postemployment benefit trust funds account for the accumulation of resources to be used for retirement annuity payments to eligible full-time employees of the City, certain healthcare costs, and other retirement distributions.

The *agency fund* account for resources held in a trustee or agent capacity for the 54-A District Court.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Restricted net position are assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity

Deposits and investments

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the statement of net position/balance sheet as "equity in pooled cash." The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Restricted cash consists of amounts required to be maintained separately in accordance with bond covenants.

State statutes authorize the City to invest in:

Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on pension and other postemployment benefit trust fund investments due to changes in fair value are recognized each year.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Receivables and payables

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Certain receivables in governmental funds consist of rehabilitation and redevelopment loans that are generally not expected or scheduled to be collected in the subsequent year.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as internal balances.

Inventories, prepaids and other assets

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired or constructed since June 30, 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets that are used for governmental activities are only reported in the government-wide statements. Infrastructure ("public domain") assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are capitalized. With this measurement focus, all assets and liabilities (whether current or noncurrent) associated with the operations of these funds are included on the government-wide statement of net position.

All land and non-depreciable land improvements are capitalized, regardless of cost. Equipment and vehicles are capitalized when the cost of individual items exceed \$5,000. The road and sewer networks are all capitalized regardless of cost. Buildings are capitalized over \$100,000, and the recreational facilities' thresholds range from \$25,000 to \$50,000.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	20-50
Improvements	8-50
Equipment	3-15
Sanitary sewers	50
Infrastructure	10-75

Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category, which is the deferred refunding loss. A deferred refunding loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits, subject to certain limitations. Certain bargaining unit employees are also permitted to accumulate earned but unused sick leave. All vacation and compensatory time pay and 50 percent of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund balances

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports *assigned fund balance* for amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The City currently has no assigned fund balance, as the City Council has not yet given the authority for the making of such assignments. Unassigned fund balance is the residual classification for the general fund.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

2. BUDGETARY INFORMATION

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before the fourth Monday in March, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing on the proposed use of funds is held by the Mayor, and a public hearing on the annual appropriations as proposed by the City Council is held no later than one week prior to adoption of the annual appropriation measure.
- Not later than the third Monday in May, the Council adopts a budget for the ensuing fiscal year, makes an appropriation of the money needed therefore, and sets the property tax rate necessary to support the appropriations measure.
- The appropriated budget is prepared by fund, department and the mandatory expenditure accounts as established by the State of Michigan's Uniform Chart of Accounts. Within the General Fund, the legal level of budgetary control is the mandatory expenditure accounts (personal services, supplies and operating expenses, capital outlay, debt service, transfers, and contingency) within each department. Within other funds, the legal level of budgetary control is the mandatory expenditure accounts (personal services, supplies and operating expenses, capital outlay, debt service, transfers, and contingency) within that fund. Transfers between appropriations (mandatory accounts) require City Council approval. An exception to City Council approval is allowed by City Charter for transfers between appropriations (mandatory accounts) for amounts less than five thousand dollars, but not in excess of 15% of the appropriation in cases where five thousand dollars exceeds 15% of the appropriation.

Copies of the City's separately issued budget report may be obtained from the Finance Department, 124 West Michigan Avenue, Lansing, Michigan 48933.

- The City formally adopts operating budgets for the general fund and all special revenue funds.
- Budgetary integration is employed as a management control device during the year for all budgeted funds. Except for the general fund, these budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). In the general fund, capital lease payments / installment payments are budgeted, but capital lease acquisitions are not. There were no capital lease acquisitions during the year ended June 30, 2014.
- Appropriations lapse at year-end for all annual budgets. Appropriations are automatically carried forward for project-type budgets.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2014, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund:			
General government:			
Mayor	\$ 819,940	\$ 826,471	\$ 6,531
Office of community media	336,680	336,702	22
Planning / neighborhood development	854,984	961,187	106,203
Public works	9,801,661	10,095,380	293,719
Recreation and culture	7,135,872	7,741,209	605,337
Other functions:			
Human relations / community services	878,162	926,388	48,226
Transfers out	9,439,986	9,503,151	63,165
State and federal grants:			
Public works	528,059	3,361,393	2,833,334

The above budgeted amounts are presented at the activity level, which is the required minimum level of control per the Michigan Uniform Budget Manual.

The budget variance in the state and federal grants fund was caused by recording donated infrastructure (constructed by the State of Michigan Department of Transportation) in the fund. This transaction included both intergovernmental revenue and expenditures (and so had no effect on ending fund balance), but was not reflected in the amended budget, as it was attributable to amounts recorded for in-kind roadwork performed by the State, and therefore not subject to appropriation.

3. DEFICIT FUND EQUITY

Governmental activities reported a deficit in unrestricted net position in the amount of \$46,344,555 at June 30, 2014. Total net position amounted to a positive \$117,764,592.

The community development block grant program special revenue fund reported a deficit unassigned fund balance of \$200,000. Total fund balance (which included \$200,000 classified as restricted related to a long-term advance), was \$0.

The special assessments capital projects fund reported a deficit fund balance of \$322,157. The fund received a long-term advance from the general fund that was used to provide the working capital for the fund in prior years. The deficit is the result of deferred special assessments receivable. As special assessments are collected, this deficit will be eliminated, and the advance repaid.

The golf enterprise fund reported a deficit in unrestricted fund net position of \$6,077.

The fleet maintenance internal service fund reported a deficit in unrestricted fund net position of \$44,547.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The Tax Increment Finance Authority component unit reported a deficit in unrestricted net position of \$36,582,317 at June 30, 2014. The deficit is a result of full-accrual accounting for long-term debt, without reflecting a corresponding receivable for tax captures to be received in future periods (which cannot be accrued in accordance with generally accepted accounting principles).

4. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances for the primary government (including both pooled cash and investments as well as pension and other postemployment benefit (OPEB) trust fund balances) as of June 30, 2014:

	Primary Government	Component Units	Totals
Statement of net position			
Cash and investments	\$ 41,777,072	\$ 2,303,169	\$ 44,080,241
Restricted cash and investments	9,649,979	1,736,241	11,386,220
Statement of fiduciary net position			
Pension and OPEB trust funds:			
Cash and cash equivalents	46,678,018	-	46,678,018
Investments	515,186,363	-	515,186,363
Agency funds:			
Equity in pooled cash	91,410	-	91,410
Total	<u>\$ 613,382,842</u>	<u>\$ 4,039,410</u>	<u>\$ 617,422,252</u>
Deposits and investments			
Bank deposits:			
Checking/savings accounts			\$ 99,978,655
Investments - money markets			612,776
Investment in securities and mutual funds:			
Pooled investments			1,470,793
Pension and OPEB investments			515,186,363
Cash on hand			173,665
Total			<u>\$ 617,422,252</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$95,390,534 of the City's bank balance of \$96,730,675 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk - Investments. As of June 30, 2014, the City's pooled investments consisted entirely of mutual funds and money markets totaling \$1,251,208 and \$219,585, respectively.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

Credit Risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, are summarized as follows:

S&P AAAM	\$ 251,618
S&P A1 (Commercial Paper)	999,590
Unrated	<u>219,585</u>
Total	<u>\$ 1,470,793</u>

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for investments held at year-end are summarized as follows:

Due within 1 year	\$ 999,590
No maturity	<u>471,203</u>
Total	<u>\$ 1,470,793</u>

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Pension and Other Postemployment Benefit Trust Funds

The deposits and investments of the City's pension and other postemployment benefit trust funds are maintained separately from the City's pooled cash and investments, and are subject to separate investment policies and State statutes. Accordingly, the required disclosures for the pension and OPEB deposits and investments are presented separately.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Deposits

The pension and OPEB trust funds do not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net position are composed entirely of short-term investments in money market accounts.

Investments

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the pension trust funds to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The retirement boards have the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the pension trust funds' assets. All investment decisions are subject to Michigan law and the investment policy established by the retirement boards.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The investments of each pension trust fund are held in a bank administered trust fund. Following is a summary of pension and other postemployment benefits investments as of June 30, 2014:

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
Investments at fair value, as determined by quoted market price					
U.S. treasuries:					
Not on securities loan	\$ 271,352	\$ 369,800	\$ 10,633	\$ -	\$ 651,785
On securities loan	5,047,164	5,200,928	-	-	10,248,092
U.S. agencies:					
Not on securities loan	17,511,071	22,060,296	6,699	-	39,578,066
On securities loan	575,953	732,300	-	-	1,308,253
Foreign government bonds:					
Not on securities loan	1,137,500	1,844,290	-	-	2,981,790
Domestic corporate securities:					
Not on securities loan	25,171,323	33,318,675	-	-	58,489,998
Domestic equities:					
Not on securities loan	34,224,454	58,637,817	-	-	92,862,271
On securities loan	13,894,980	17,666,669	-	-	31,561,649
International equities:					
Not on securities loan	-	-	9,487	-	9,487
Emerging markets equities	7,422,814	11,501,782	-	-	18,924,596
Collateralized mortgage obligations	481,948	558,755	-	-	1,040,703
Real estate investment funds	13,271,008	17,027,198	-	-	30,298,206
Equity mutual funds	-	8,241,876	-	-	8,241,876
International equity mutual funds	42,826,497	48,552,927	97,013	577,092	92,053,529
Domestic equity mutual funds	27,736,178	44,843,686	530,414	9,560,263	82,670,541
Domestic debt securities mutual funds	-	-	882,633	8,952,599	9,835,232
International debt securities mutual funds	-	29,145,150	-	-	29,145,150
Money market funds	2,353,700	2,512,793	418,646	-	5,285,139
Total investments	<u>\$ 191,925,942</u>	<u>\$ 302,214,942</u>	<u>\$ 1,955,525</u>	<u>\$ 19,089,954</u>	<u>\$ 515,186,363</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Credit Risk. The City's pension investment policies provide that at least 90% of its investments in fixed income securities be rated BBB- or better by a nationally recognized statistical rating organization and the remaining 10% be rated at least B- or better. The City's pension and other postemployment benefits investments were rated by Standard & Poor's as follows:

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
AA	\$ 2,474,496	\$ 3,644,864	\$ -	\$ -	\$ 6,119,360
BBB	20,401,605	29,145,150	-	-	49,546,755
US government guaranteed	21,979,588	26,730,756	-	-	48,710,344
Not rated	25,332,527	32,605,430	-	8,952,599	66,890,556
Assets not subject to credit risk	121,737,726	210,088,742	1,955,525	10,137,355	343,919,348
	<u>\$ 191,925,942</u>	<u>\$ 302,214,942</u>	<u>\$ 1,955,525</u>	<u>\$ 19,089,954</u>	<u>\$ 515,186,363</u>

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's pension investment policies require that investment securities be held in trust by a third-party institution in the name of the pension trust fund. As such, although uninsured and unregistered, the City's pension investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the name of the pension trust fund. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk. At June 30, 2014, the pension and other postemployment benefits investment portfolio was concentrated as follows:

Investment Type	Issuer	Employees' Retirement System	Police and Fire Retirement System
Common stock	Northern Trust Back, N.A.	14.5%	14.8%
Corporate bonds	Western Asset Funds, Inc.	13.1%	11.0%
International equity mutual funds	Franklin Templeton	10.6%	9.6%
International equity mutual funds	SEI Trust Company	7.0%	0.0%
International equity mutual funds	Modrian	0.0%	8.1%
International equity mutual funds	Artisan	0.0%	7.9%

The City's pension and other postemployment benefits investment policies require diversification of fixed income securities; however, they do not specify percentages of dollar amounts by industry or issuer.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The pension and other postemployment benefits trusts' exposure to foreign currency risk is as follows:

Investment (currency in U.S. dollar)	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
International equities:					
Canada	\$ 489,030	\$ 739,632	\$ -	\$ -	\$ 1,228,662
India	104,704	153,996	-	-	258,700
The Netherlands	120,702	188,068	-	-	308,770
Puerto Rico	121,394	191,787	-	-	313,181
Switzerland	63,371	99,583	-	-	162,954
United Kingdom	91,431	156,503	-	-	247,934
Foreign government bonds:					
Egypt	146,869	314,720	-	-	461,589
International equity mutual funds	50,249,311	89,199,859	106,500	577,092	140,132,762
Total	<u>\$ 51,386,812</u>	<u>\$ 91,044,148</u>	<u>\$ 106,500</u>	<u>\$ 577,092</u>	<u>\$ 143,114,552</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The City's pension investment policies provide that the average duration of fixed income securities shall not deviate from the Lehman Brothers Aggregate Index duration by +/-20%. As of June 30, 2014, maturities of the City's pension and other postemployment benefits trust debt securities were as follows:

	Investment Maturities (Fair Value)				
	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
Employees' Retirement System					
U.S. agencies	\$ -	\$ 2,485,216	\$ 569,363	\$ -	\$ 3,054,579
U.S. government bonds	-	2,735,831	1,100,364	2,619,822	6,456,017
U.S. government mortgage backed securities	7,636	998,878	1,850,335	10,649,952	13,506,801
U.S. government issued commercial mortgage backed securities	-	40,238	382,492	453,132	875,862
Commercial mortgage backed securities	-	-	117,639	364,310	481,949
Total	<u>\$ 7,636</u>	<u>\$ 6,260,163</u>	<u>\$ 4,020,193</u>	<u>\$ 14,087,216</u>	<u>\$ 24,375,208</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

	Investment Maturities (Fair Value)				
	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
Police and Fire Retirement System					
U.S. agencies	\$ -	\$ 3,322,411	\$ 788,877	\$ -	\$ 4,111,288
U.S. government bonds	-	3,122,018	743,863	3,549,135	7,415,016
U.S. government mortgage backed securities	8,646	1,777,555	2,458,857	12,625,304	16,870,362
U.S. government issued commercial mortgage backed securities	-	50,989	448,703	553,175	1,052,867
Commercial mortgage backed securities	-	-	151,250	407,505	558,755
Corporate bonds	224,420	-	-	-	224,420
Total	<u>\$ 233,066</u>	<u>\$ 8,272,973</u>	<u>\$ 4,591,550</u>	<u>\$ 17,135,119</u>	<u>\$ 30,232,708</u>

Securities Lending. Under contracts approved by the City, the pension and other postemployment benefits trust funds are permitted to lend their securities to broker-dealers and banks (borrowers) for collateral that will be returned for the same securities in the future. The pension trust and other postemployment benefits funds' custodial banks manage the securities lending programs and receive cash as collateral. Collateral cash is initially pledged at 100 percent of the fair value of the securities lent, and may not fall below 95 percent of the market value of the loaned security during the term of the loan. At all times, collateral cannot be more than \$100,000 less than the market value of the loaned security. There are no restrictions on the amount of securities that can be loaned.

Securities on loan at year-end are classified in the preceding schedule of custodial credit risk according to the category for the collateral received on the securities lent. At year-end, the pension trust funds have no credit risk exposure to borrowers because the collateral held by the custodians exceeds the market value of the related securities lent. At June 30, 2014, the fair value of securities on loan by the Employees' Retirement System and the Police and Fire Retirement System were \$19,518,097 and \$23,599,897, respectively, for which the Plans' received cash collateral of \$19,932,018 and \$24,105,140, respectively. The contract with the pension and other postemployment benefits trust fund custodians require them to indemnify the City if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the City for income distributions by the securities' issuers while the securities are on loan.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

5. RECEIVABLES

Receivables are comprised of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts receivable	\$ 22,534,881	\$ 5,903,964	\$ 429,199
Taxes receivable	628,201	-	-
Special assessments receivable	500,778	-	-
Loans receivable	1,432,342	706,238	377,389
Accrued interest receivable	2,147,867	126,864	-
Due from other governments	10,925,845	-	156,806
Lease receivable	-	21,880,012	-
Allowance for uncollectible accounts	(639,590)	(360,733)	-
	<u>\$ 37,530,324</u>	<u>\$ 28,256,345</u>	<u>\$ 963,394</u>
Amount not expected to be collected within one year	<u>\$ 4,024,805</u>	<u>\$ 21,732,478</u>	<u>\$ 377,389</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 25,690,735	\$ 34,937	\$ -	\$ -	\$ 25,725,672
Construction in progress	5,289,601	4,487,045	(562,857)	(6,932,376)	2,281,413
	<u>30,980,336</u>	<u>4,521,982</u>	<u>(562,857)</u>	<u>(6,932,376)</u>	<u>28,007,085</u>
Capital assets, being depreciated:					
Land improvements	16,050,745	369,734	-	852,452	17,272,931
Equipment and vehicles	40,374,027	2,174,031	(7,160,243)	-	35,387,815
Buildings	118,768,823	-	(1,495,736)	6,079,924	123,353,011
Infrastructure	301,549,180	4,548,553	(3,105,415)	-	302,992,318
	<u>476,742,775</u>	<u>7,092,318</u>	<u>(11,761,394)</u>	<u>6,932,376</u>	<u>479,006,075</u>
Less accumulated depreciation for:					
Land improvements	(7,485,484)	(647,368)	-	-	(8,132,852)
Equipment and vehicles	(34,913,711)	(1,925,382)	7,160,243	-	(29,678,850)
Buildings	(67,532,695)	(3,569,572)	798,741	-	(70,303,526)
Infrastructure	(204,850,283)	(9,076,092)	2,962,527	-	(210,963,848)
	<u>(314,782,173)</u>	<u>(15,218,414)</u>	<u>10,921,511</u>	<u>-</u>	<u>(319,079,076)</u>
Total capital assets					
being depreciated, net	<u>161,960,602</u>	<u>(8,126,096)</u>	<u>(839,883)</u>	<u>6,932,376</u>	<u>159,926,999</u>
Governmental activities					
capital assets, net	<u>\$ 192,940,938</u>	<u>\$ (3,604,114)</u>	<u>\$ (1,402,740)</u>	<u>\$ -</u>	<u>\$ 187,934,084</u>

At June 30, 2014, the City's governmental activities had outstanding commitments through construction contracts of approximately \$1,970,000.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 13,483,909	\$ -	\$ -	\$ -	\$ 13,483,909
Construction in progress	8,509,838	1,593,365	(245,438)	(2,211,888)	7,645,877
	<u>21,993,747</u>	<u>1,593,365</u>	<u>(245,438)</u>	<u>(2,211,888)</u>	<u>21,129,786</u>
Capital assets, being depreciated:					
Land improvements	24,246,241	-	-	338,888	24,585,129
Equipment and vehicles	5,673,556	1,828,460	(339,047)	119,675	7,282,644
Buildings	214,841,965	927,845	-	100,000	215,869,810
Sewers	332,807,283	547,475	-	1,653,325	335,008,083
	<u>577,569,045</u>	<u>3,303,780</u>	<u>(339,047)</u>	<u>2,211,888</u>	<u>582,745,666</u>
Less accumulated depreciation for:					
Land improvements	(12,067,058)	(610,084)	-	-	(12,677,142)
Equipment and vehicles	(5,387,275)	(278,991)	339,047	-	(5,327,219)
Buildings	(109,609,169)	(5,160,199)	-	-	(114,769,368)
Sewers	(74,587,328)	(6,903,682)	-	-	(81,491,010)
	<u>(201,650,830)</u>	<u>(12,952,956)</u>	<u>339,047</u>	<u>-</u>	<u>(214,264,739)</u>
Total capital assets being depreciated, net	<u>375,918,215</u>	<u>(9,649,176)</u>	<u>-</u>	<u>2,211,888</u>	<u>368,480,927</u>
Business-type activities					
capital assets, net	<u>\$ 397,911,962</u>	<u>\$ (8,055,811)</u>	<u>\$ (245,438)</u>	<u>\$ -</u>	<u>\$ 389,610,713</u>

At June 30, 2014, the City's business-type activities had outstanding commitments through construction contracts of approximately \$2,450,000.

Depreciation expense was charged to functions/programs of the primary government as follows:

Depreciation of governmental activities by function	
General government	\$ 1,796,295
Public safety	589,717
Public works	9,076,092
Recreation and culture	461,895
Community development	1,812,352
Internal service funds	<u>1,482,063</u>
Total depreciation expense - governmental activities	<u>\$ 15,218,414</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Depreciation of business-type activities by function

Sewage disposal system	\$ 10,315,747
Municipal parking system	2,379,395
Cemetery	16,190
Golf	91,118
Recycling	<u>150,506</u>
Total depreciation expense - business-type activities	<u>\$ 12,952,956</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 7,642,113	\$ 1,273,180	\$ 1,510,906
Deposits payable	47,028	61,495	-
Accrued payroll	2,059,166	94,382	-
Contract retainage payable	200,089	-	-
Due to other governments	3,250,250	-	-
Other	1,440,262	-	-
	<u>\$ 14,638,908</u>	<u>\$ 1,429,057</u>	<u>\$ 1,510,906</u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2014, was as follows:

Due to and from primary government funds

	Due from Other Funds	Due to Other Funds
General fund	\$ 6,390,868	\$ 20,613,895
Nonmajor governmental funds	4,055,000	3,780,000
Sewage disposal system	18,385,874	6,385,597
Municipal parking system	3,258,021	-
Nonmajor enterprise funds	-	5,271
Internal service funds	-	1,305,000
Total	<u>\$ 32,089,763</u>	<u>\$ 32,089,763</u>

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Advances to and from primary government funds

	Advances to Other Funds	Advances from Other Funds
Nonmajor governmental funds	\$ -	\$ 362,224
Municipal parking system	362,224	-
Total	\$ 362,224	\$ 362,224

Due to and from component units

	Due from primary government	Due to component unit
General fund	\$ -	\$ 2,206,788
Brownfield Redevelopment Authority	1,059,742	-
Tax Increment Finance Authority	1,144,434	-
SmartZone	2,612	-
Total	\$ 2,206,788	\$ 2,206,788

For the year ended June 30, 2014, interfund transfers consisted of the following:

Transfers Out	Transfers In				
	General fund	Nonmajor governmental funds	Nonmajor enterprise funds	Internal service funds	Total
General fund	\$ -	\$ 7,840,967	\$ 42,184	\$ 1,620,000	\$ 9,503,151
Nonmajor governmental funds	85,000	2,280,545	979,103	-	3,344,648
Sewage disposal system	300,000	-	-	-	300,000
Nonmajor enterprise funds	-	15,650	-	-	15,650
Total	\$ 385,000	\$ 10,137,162	\$ 1,021,287	\$ 1,620,000	\$ 13,163,449

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

9. LONG-TERM DEBT

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 30-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	Interest Rate	Original Amount	Amount
General obligation bonds			
Governmental activities:			
2006 Lansing Center Limited Tax Bonds	3.50-4.30%	\$ 4,000,000	\$ 2,330,000
2005 Building Authority Refunding Bonds	3.50-5.00%	1,470,000	615,000
2007 Michigan Transportation Fund Limited Tax Bonds	3.625-5.00%	1,137,600	396,000
2007 Michigan Transportation Fund Limited Tax Bonds	3.625-5.00%	3,602,400	1,254,000
2007 Fire Station Refunding Bonds	3.625-5.00%	1,780,000	1,000,000
2008 Michigan Transportation Fund Limited Tax Bonds	3.00-4.00%	3,500,000	1,910,000
2009 Capital Improvement Bonds - Limited Tax General	3.15-6.85%	10,197,000	9,380,000
2010 Recovery Zone Economic Development Bonds	3.40-7.25%	3,200,000	2,925,000
2010 Refunding Bonds - Limited Tax General Obligation	2.60-2.65%	2,470,000	1,540,000
2013 Refunding Bonds - Limited Tax General Obligation			
Energy Efficiency Refunding Bonds	2.40%	5,645,000	5,305,000
2013 Refunding Bonds - Limited Tax General Obligation			
Phone System Refunding Bonds	2.40%	240,000	180,000
2013 Operations and Maintenance Limited Tax Refunding	2.40%	465,000	310,000
		<u>\$ 37,707,000</u>	<u>\$ 27,145,000</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

	Interest Rate	Original Amount	Amount
Business-type activities:			
2005 Building Authority Refunding Bonds	3.50-5.00%	\$ 15,975,000	\$ 8,900,000
2007 Building Authority Refunding Bonds	3.625-5.00%	7,965,000	7,775,000
1993 Limited Tax Sewer Bond - 5005-02	2.50%	8,150,050	470,000
1994 Limited Tax Sewer Bond - 5005-03	2.50%	3,234,722	370,000
1994 Limited Tax Sewer Bond - 5005-04	2.00%	3,727,138	241,170
1994 Limited Tax Sewer Bond - 5005-06	2.25%	7,595,611	675,000
1996 Limited Tax Sewer Bond - 5005-07	2.25%	3,365,073	590,073
1996 Limited Tax Sewer Bond - 5005-08	2.25%	3,995,000	950,000
1997 Limited Tax Sewer Bond - 5005-09	2.25%	4,746,780	1,361,780
1998 Limited Tax Sewer Bond - 5005-10	2.25%	10,539,950	3,604,950
1999 Limited Tax Sewer Bond - 5005-11	2.50%	10,120,000	3,585,000
2000 Limited Tax Sewer Bond - 5005-12	2.50%	9,447,830	3,797,830
2001 Limited Tax Sewer Bond - 5005-13	2.50%	10,573,046	4,818,046
2002 Limited Tax Sewer Bond - 5005-14	2.50%	12,381,131	6,821,131
2003 Limited Tax Sewer Bond - 5005-15	2.50%	10,259,826	6,170,688
2004 Limited Tax Sewer Bond - 5005-16	2.13%	3,070,277	2,447,649
2005 Limited Tax Sewer Bond - 5005-17	2.13%	1,609,661	5,048,778
2005 Limited Tax Sewer Bond - 5005-18	1.63%	13,389,371	8,819,371
2006 Limited Tax Sewer Bond - 5005-19	1.63%	18,216,346	13,181,346
2007 Limited Tax Sewer Bond - 5005-20	1.63%	24,244,726	18,514,726
2008 Limited Tax Sewer Bond - 5005-21	2.50%	27,500,453	22,920,453
2009 Limited Tax Sewer Bond - 5005-22	2.50%	15,615,000	13,220,604
2010 Limited Tax Sewer Bond - 5411-01	2.50%	8,548,000	8,208,000
2009 Capital Improvement Bonds	4.10-7.05%	9,803,000	9,655,000
2009 Building Authority Refunding Bonds	6.014-6.584%	8,161,691	8,161,691
2012 Building Authority Refunding Bonds	0.55-3.70%	7,200,000	6,805,000
2013 Building Authority Refunding Bonds	2.40%	735,000	370,000
2013 Building Authority Golf Course Refunding Bonds	2.40%	405,000	305,000
2014 Building Authority Refunding Bonds	4.75%	7,245,000	7,245,000
		<u>\$ 267,819,682</u>	<u>\$ 175,033,286</u>

On April 9, 2014, the City issued \$3,375,000 of Limited Tax General Obligation bonds under the state drinking water revolving fund to be used for sanitary sewer system improvements. Payments of amounts drawn are to be made semi-annually over a 20 year period, beginning on April 1, 2016. Interest is charged on the outstanding balance at 2.50 percent. As of June 30, 2014, no amounts had been drawn on this loan.

Refunded and Defeased Debt

At year end, defeased bonds outstanding consisted of \$4,140,000 of 1990 Building Authority Bonds, scheduled to be paid by the escrow agent on June 1, 2015; \$10,415,000 of 1990 Tax Increment Finance Authority Bonds, scheduled to be paid by the escrow agent in installments on May 1 of years 2016 through 2020; and \$2,565,000 in 1994 Tax Increment Financing Bonds, scheduled to be paid by the escrow agent on May 1 of years 2015 and 2016.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

During fiscal year 2014, the City advance refunded \$4,975,000 of 1990 Building Authority Bonds to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments of \$4,975,000 of refunded debt. As a result, the bonds are considered defeased and the liability has been removed from the statement of net position. The reacquisition price of the refunding bonds was less than the carrying amount of the refunded debt and remaining unamortized discount by \$1,156,324 and, accordingly, that amount is being amortized over the remaining years of the refunded debt. The refunding resulted in an increase in future debt service cash flows of \$7,859,444 and an economic loss of \$375,159.

During fiscal year 2014, the Tax Increment Financing Authority component unit advance refunded \$612,587 of principal and \$1,952,413 of accrued interest related to 1994 Tax Increment Revenue Bonds to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on \$2,565,000 of refunded debt. As a result, the bonds are considered defeased and the liability has been removed from the statement of net position. The reacquisition price of the refunding bonds was less than the carrying amount of the refunded debt by \$8,863 and, accordingly, is being amortized of the remaining years of the refunded debt. The refunding resulted in an increase in future debt service cash flows of \$4,025,425 and an economic loss of \$312,935.

Revenue bonds. The City also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue bonds outstanding at year-end are as follows:

	Interest Rate	Original Amount	Amount
Revenue bonds - business type activities			
2013 Sewer Revenue and Refunding Bond	2.40%	\$ 64,330,000	\$ 21,765,000

Installment purchase agreements. The government enters into installment purchase agreements for equipment and related capital assets. Installment purchase agreements outstanding at year-end are as follows:

	Interest Rate	Original Amount	Amount
Installment purchase agreements			
Governmental activities:			
2005 Lease Purchase Agreement - LEPFA Carpet	4.51%	\$ 126,418	\$ 15,459
2005 Lease Purchase Agreement - LEPFA Equipment	4.24%	81,500	14,553
2012 Lease Purchase Agreement - Snowmobile	2.40%	147,046	63,199
2013 Lease Purchase Agreement - Garage	2.40%	1,892,332	1,518,630
2014 Lease Purchase Agreement - Recycling Trucks	1.96%	1,550,855	1,488,722
		<u>\$ 3,798,151</u>	<u>\$ 3,100,563</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Loans payable. The government has entered into loan agreements with the certain State agencies for program purposes. Loans payable at year-end are as follows:

	Interest Rate	Original Amount	Amount
Loans payable			
Governmental activities:			
2004 Michigan Department of Transportation Loan	3.00%	\$ 1,266,000	\$ 175,934
HUD Section 108 Loan	2.40%	5,900,000	5,900,000
2014 SIB Loan	3.00%	986,300	986,300
		<u>\$ 8,152,300</u>	<u>\$ 7,062,234</u>

Changes in long-term debt. Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 29,932,000	\$ -	\$ 2,787,000	\$ 27,145,000	\$ 2,915,000
Installment purchase agreements	2,807,838	1,550,855	1,258,130	3,100,563	624,065
Loans payable	6,246,743	986,300	170,809	7,062,234	175,934
Total installment debt	38,986,581	2,537,155	4,215,939	37,307,797	3,714,999
Deferred amounts:					
For issuance discounts	(93,487)	-	(6,833)	(86,654)	-
For issuance premiums	156,091	-	34,143	121,948	-
Compensated absences	10,138,900	10,153,254	10,138,900	10,153,254	1,061,687
Accrued workers compensation	6,986,062	6,875	1,025,344	5,967,593	922,154
Accrued tax settlement	156,483	-	52,161	104,322	52,161
	<u>\$ 56,330,630</u>	<u>\$ 12,697,284</u>	<u>\$ 15,459,654</u>	<u>\$ 53,568,260</u>	<u>\$ 5,751,001</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
General obligation bonds	\$ 182,127,578	\$ 10,600,638	\$ 17,694,930	\$ 175,033,286	\$ 12,589,366
Revenue bonds	25,030,000	-	3,265,000	21,765,000	1,490,000
Installment purchase agreements	-	1,737,700	69,619	1,668,081	208,649
Loans payable	1,702,664	-	1,702,664	-	-
Total installment debt	208,860,242	12,338,338	22,732,213	198,466,367	14,288,015
Deferred amounts:					
For issuance discounts	(2,020,876)	(90,562)	(1,238,800)	(782,377)	-
For issuance premiums	2,751,555	-	240,165	2,511,390	-
Compensated absences	733,908	866,003	733,908	866,003	38,313
	<u>\$ 210,324,829</u>	<u>\$ 13,113,779</u>	<u>\$ 22,467,486</u>	<u>\$ 201,061,383</u>	<u>\$ 14,326,328</u>

For the governmental activities, compensated absences and other long-term debt are generally liquidated by the general fund.

Debt service requirements to maturity for all installment debt of the City are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 3,714,999	\$ 1,165,100	\$ 4,880,099	\$ 14,288,015	\$ 5,842,667	\$ 20,130,682
2016	3,626,430	1,104,077	4,730,507	14,129,564	5,129,518	19,259,082
2017	3,638,884	961,378	4,600,262	13,762,020	4,758,314	18,520,334
2018	3,557,278	829,484	4,386,762	13,756,223	4,387,717	18,143,940
2019	2,730,666	712,539	3,443,205	13,777,360	4,034,799	17,812,159
2020-2024	10,304,539	2,303,794	12,608,333	68,221,571	14,280,657	82,502,228
2025-2029	7,430,000	882,463	8,312,463	43,392,558	6,279,535	49,672,093
2030-2034	2,305,001	17,038	2,322,039	12,304,057	2,337,240	14,641,297
2035-2039	-	-	-	4,834,999	710,362	5,545,361
	<u>\$ 37,307,797</u>	<u>\$ 7,975,873</u>	<u>\$ 45,283,670</u>	<u>\$ 198,466,367</u>	<u>\$ 47,760,809</u>	<u>\$ 246,227,176</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

10. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Nonmajor Governmental Funds	Totals
Nonspendable			
Inventories	\$ 49,601	\$ 833,380	\$ 882,981
Prepays	30,169	-	30,169
Corpus of permanent fund	-	1,718,595	1,718,595
	<u>79,770</u>	<u>2,551,975</u>	<u>2,631,745</u>
Restricted			
Donations	36,854	-	36,854
Major and local streets	-	5,449,942	5,449,942
Drug law and narcotics enforcement	-	1,084,370	1,084,370
Various state and federal grants	-	4,353	4,353
Shopping district events and maintenance	-	12,609	12,609
Building permit activity	-	168,229	168,229
Capital improvements (unexpended bond proceeds)	-	183,425	183,425
	<u>36,854</u>	<u>6,902,928</u>	<u>6,939,782</u>
Committed			
Police and fire services	1,810,325	-	1,810,325
By ordinance (budget carryforwards)	228,283	-	228,283
Community development	-	200,000	200,000
City parks	-	466,888	466,888
Capital improvements	-	3,956,224	3,956,224
	<u>2,038,608</u>	<u>4,623,112</u>	<u>6,661,720</u>
Unassigned (deficit)	<u>7,052,830</u>	<u>(522,157)</u>	<u>6,530,673</u>
Total fund balances - governmental funds	<u>\$ 9,208,062</u>	<u>\$ 13,555,858</u>	<u>\$ 22,763,920</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

11. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2014, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 28,007,085	\$ 21,129,786	\$ -
Capital assets being depreciated, net	159,926,999	368,480,927	14,398
Total capital assets	187,934,084	389,610,713	14,398
Related debt:			
General obligation bonds	27,145,000	175,033,286	-
Revenue bonds	-	21,765,000	-
Installment purchase agreements	3,100,563	1,668,081	-
Loans payable	7,062,234	-	-
Unamortized bond discounts	(86,654)	(782,377)	-
Unamortized bond premiums	121,948	2,511,390	-
Deferred loss on bond refunding	(201,592)	(3,163,496)	-
Amounts under leases receivable	-	(21,880,012)	-
Unexpended bond proceeds	(183,425)	-	-
Total related debt	36,958,074	175,151,872	-
Net investment in capital assets	\$ 150,976,010	\$ 214,458,841	\$ 14,398

12. SEGMENT INFORMATION - ENTERPRISE FUNDS

The government issued revenue bonds to finance certain improvements to its sewage disposal system. Because the Sewage Disposal System, an individual fund that accounts entirely for the government's sewage activities, is a segment and is reported as a major fund in the fund financial statements, separate segment disclosures herein are not required.

13. RISK MANAGEMENT

The City of Lansing is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries.

The City carries commercial insurance for claims relating to general liability, property, electronic data processing, boiler and machinery, police professional and errors and omissions. The City has not experienced settlements in excess of insurance coverage during the past three years.

The City is uninsured for acts of nature and environmental clean-up costs.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

The City is self-funded for Blue Cross Blue Shield healthcare coverage for employees and retirees. The City maintains stop/loss coverage that limits its per-case exposure to \$250,000. The City estimates healthcare claims that are incurred but not reported as of year-end, which is accounted for in the City's Fringe Benefits Internal Service Fund. Changes in the estimated liability were as follows:

	Fiscal Year Ended June 30,	
	2014	2013
Estimated liability, beginning of year	\$ 814,014	\$ 897,523
Estimated claims incurred, including changes in estimates	11,756,639	11,130,338
Claim payments	<u>(11,738,845)</u>	<u>(11,213,847)</u>
Estimated liability, end of year	<u>\$ 831,808</u>	<u>\$ 814,014</u>

The City is self-insured for workers' compensation costs. The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported to the City. The current liability is accounted for in the general fund, with long term liabilities accounted for in the Statement of Net Position. The City has liability insurance coverage up to a maximum amount of \$16,000,000 per occurrence with a \$350,000 deductible. Changes in the estimated long-term liability as well as the total estimated cost of claims for the past two fiscal years were as follows:

	Fiscal Year Ended June 30,	
	2014	2013
Estimated liability, beginning of year	\$ 6,986,062	\$ 7,131,238
Estimated claims incurred, including changes in estimates	6,875	1,118,901
Claim payments	<u>(1,025,344)</u>	<u>(1,264,077)</u>
Estimated liability, end of year	<u>\$ 5,967,593</u>	<u>\$ 6,986,062</u>

14. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of the date they are levied. City, community college, and 50% of school taxes are levied and due July 1 and become delinquent after August 31. County taxes and the balance of school taxes are levied and due December 1 and become delinquent after February 14. In March, taxes on real property still delinquent are purchased by the County's tax revolving funds. Collections of community college, school, and county taxes and remittances are accounted for in the general fund. City property tax revenues are recognized in the fiscal year for which the taxes are levied to the extent that they result in current receivables (i.e., are collected within 60 days after fiscal year-end).

The City is permitted by charter and state law to levy taxes up to \$20.000 per \$1,000 of assessed valuation for general operations other than the payment of principal and interest on long-term debt. The tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2014 was \$19.44 per \$1,000 of taxable value.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

15. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

16. PENSION PLANS

Employees' Retirement System

Plan Description. The City sponsors and administers the Employees' Retirement System (the "Plan"), a single-employer, defined benefit pension plan that covers general full-time employees of the City of Lansing and employees of the 54-A District Court. It does not include elected officials, who are members of the Employees' Money Purchase Pension Plan, nor does it include police officers and firefighters, who are members of a separate City defined benefit pension plan. The Plan was established and may be amended by the City Council and is administered by 9-member Board of Trustees. The Board is comprised of The Mayor of the City, one member of the City Council appointed by the City Council, the City Treasurer, the City Human Resources Director, three members of the retirement system to be elected by the members of the system under rules adopted by the board, two residents of the State of Michigan appointed by the Mayor, by and with the consent of the City Council, one of which is a retiree of the retirement system. It is accounted for as a separate pension trust fund. Separate financial statements are not issued for the Plan.

All members may retire at age 50 with 25 or more years of credited service, or age 58 with 8 or more years of credited service. Members are vested after completing 8 years of credited service. Retirement options that provide for survivor benefits are available to members. The plan also provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment prior to retirement will receive their benefit as a life annuity beginning at age 58.

Summary of Significant Accounting Policies. The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administration of the Plan is funded through the Plan's investment earnings.

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Plan Board of Trustees, with the assistance of a valuation service.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Plan Membership. At June 30, 2014, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	885
Terminated employees entitled to but not yet receiving benefits	68
Vested and non-vested active participants	<u>373</u>
Total membership	<u><u>1,326</u></u>

Benefits Provided. Employees who retire with minimum age and years of service requirements are entitled to annual retirement benefits, payable in monthly installments for life, in an amount equal to a percentage of their final average compensation times years of credited service. Final average compensation is defined as the average of the highest annual compensation paid over 2 consecutive years of credited service within the last 10 years of credited service immediately preceding a member's termination of employment. The benefit payments are calculated using the following rates for the various groups of general employees:

Bargaining Unit/Employee Group	Multiplier Percentage
United Auto Workers (UAW):	
Hired after January 18, 2013	1.70%
All others	2.75%
Teamsters Local 214:	
Hired after September 2012	1.25%
All others	1.80%
Teamsters Local 580:	
Hired after May 2014	1.25%
All others	1.80%
Non-bargaining and all others	1.60%

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Contributions. The contribution requirements of Plan members are established and may be amended by the City Council in accordance with City policies, union contracts, and Plan provisions. Employees are required to make contributions to the Plan in rates from 3.00 to 6.50 percent depending on bargaining unit and hire date. The City is required to contribute at actuarially determined rates expressed as a percentage of covered payroll. The City's contribution rate for the plan for the year ended December 31, 2013 was 43.5 percent of projected valuation payroll.

Bargaining Unit/Employee Group	Contribution Percentage
United Auto Workers (UAW)	3.00%
Teamsters Local 214:	
Hired after September 2012	5.00%
All others	6.50%
Teamsters Local 580:	
Hired after May 2014	5.00%
All others	6.35%
District court Teamsters and exempt:	
Hired after April 2014	5.00%
All others	5.50%
All others	6.50%

Investment Policy. The plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment process that the Board deems appropriate. The Plan's asset allocation policy is shown on the following pages.

Rate of Return. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.7 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Concentrations. At June 30, 2014, the Plan held certain investments (other than those issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, or other pooled investments) in certain organizations that represent 5 percent or more of the Plan's fiduciary net position. Please see Note 4 for the details of these concentrations.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Reserves. In accordance with the Plan policy, the City establishes reserves for various purposes. The reserves are adjusted annually based on recommendations from the City's actuaries. The policy for creating and adjusting reserves was established and can be amended by the Plan Board of Trustees. A summary of the Plan reserves at June 30, 2014 is as follows:

Reserve/Group	Balance
Employee savings fund	\$ 29,631,080
Retirement reserve fund	146,374,121
Pension accumulation fund	(8,011,319)
Members benefit fund	17,124,778
Health insurance fund	20,414,547

Net Pension Liability. The components of the net pension liability for the employees' retirement system at June 30, 2014 were as follows:

Total pension liability	\$ 323,057,486
Plan fiduciary net position	<u>185,118,660</u>
Net pension liability	<u>\$ 137,938,826</u>
Plan fiduciary net position as percentage of total pension liability	57.30%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.10%
Salary increases	3.10%, plus service based increases
Investment rate of return	7.60%, net of investment expense and including inflation

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Mortality is based on the RP-2000 tables (with Blue Collar adjustments for Police and Fire) for males and females. For Disabled members, the disabled versions of these tables are used with a 5 year age setback for males. Each of these tables is projected to 2008 using Scale BB. Future improvements in mortality for non-disabled members are anticipated by projecting these tables an additional 15 years using 50% of Scale BB.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience analysis conducted in 2012. The next assumption review is scheduled for 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Domestic equity	47.00%	5.80%	2.73%
International equity	18.00%	6.19%	1.11%
Fixed income	29.00%	2.30%	0.67%
Real estate	5.00%	4.20%	0.21%
Cash	1.00%	1.00%	0.01%
	<u>100.00%</u>		4.73%
Inflation			3.10%
Risk adjustments			<u>-0.23%</u>
Investment rate of return			<u>7.60%</u>

Discount Rate. The discount rate used to measure the total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be exhausted in the year 2056. Therefore, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return until 2056, and discounting with the 20-year AA municipal bond index rate of 3.75% thereafter. This projection is done on a closed group basis, per GASB requirements. On an ongoing, open-group basis, it is unlikely that the funds will be depleted because funding progress is frequently reviewed and adjustments are made to contribution levels.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.35 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.35 percent) or 1-percentage point higher (8.35 percent) than the current rate:

	One Percent Decrease (6.35%)	Current Discount Rate (7.35%)	One Percent Increase (8.35%)
Net pension liability	\$ 173,151,593	\$ 137,938,826	\$ 106,099,006

Employer Contributions. During the year ended June 30, 2014, total contributions of \$9,361,009 were made in accordance with actuarially determined requirements, computed through an actuarial valuation performed as of June 30, 2012.

Net Pension Obligation. The City's annual net pension cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Plan's annual net pension cost for the year, the amount actually contributed to the Plan, and changes in the net pension obligation:

Annual required contribution	\$ 9,361,000
Interest on net pension obligation	4,873
Adjustment to annual required contribution	<u>(4,089)</u>
Net pension cost (expense)	9,361,784
Contributions made	<u>(9,361,009)</u>
Increase in net pension obligation	775
Net pension obligation, beginning of year	<u>64,115</u>
Net pension obligation, end of year	<u><u>\$ 64,890</u></u>

Employer contributions to the Plan for the current fiscal year and two years prior were as follows:

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension (Asset) Obligation
2012	\$ 7,596,622	99%	\$ 62,909 ⁽¹⁾
2013	8,587,742	100%	64,115
2014	9,361,784	100%	64,890

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

(1) The FY 2012 City contribution was reduced by \$73,345 in recognition of additional contributions by International United Auto Workers (UAW) employees, which were negotiated and contributed after the establishment of the June 30, 2012 ARC from the December 31, 2010 valuation.

The schedule of employer contributions, presented as required supplementary information (RSI) following the notes to the financial statements, presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Police and Fire Retirement System

Plan Description. The City sponsors and administers the Police and Fire Retirement System (the "Plan"), a single-employer, defined benefit pension plan that covers all police officers and fire fighters who are full-time employees of the City. The Plan was established and may be amended by the City Council and is administered by an 8-member Board of Trustees. The Board is comprised of The Mayor of the City, one member of the City Council appointed by the City Council, a resident of the City who shall be appointed by the Mayor, by and with the consent of Council, two members each of the police and fire departments, to be elected by all the members of their respective departments. It is accounted for as a separate pension trust fund. Separate financial statements are not issued for the Plan.

Members may retire at age 55, or at any age with 25 or more years of credited service. Members are vested after completing 10 years of credited service. Members are required to retire at age 60 (Police) or 70 (Fire). When an employee who had retired subsequent to August 31, 1966, dies, the plan provides for an automatic pension to the retiree's spouse. This automatic pension is equal to 50% of the regular retirement benefit the employee had been receiving at time of death. Effective July 30, 1990, members may elect a reduced benefit, either 93% or 86% of the regular benefit, thereby increasing the spouse pension to 75% or 86% of the regular benefit, respectively. Alternately, members may elect a non-spousal beneficiary option. The plan provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment have the option of deferred retirement benefits until age 55 or withdrawing their contribution, thereby forfeiting any future benefits.

Summary of Significant Accounting Policies. The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administration of the Plan is funded through the Plan's investment earnings.

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Plan Board of Trustees, with the assistance of a valuation service.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Plan Membership. At June 30, 2014, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	699
Terminated employees entitled to but not yet receiving benefits	38
Vested and non-vested active participants	<u>352</u>
Total membership	<u><u>1,089</u></u>

Benefits Provided. Annual retirement allowances are determined by multiplying final average compensation by 3.2% for the first 25 years of credited service. The maximum allowance is 80% of final average compensation. Final average compensation is the member's highest wages for 2 consecutive years.

Contributions. The contribution requirements of Plan members are established and may be amended by the City Council in accordance with City policies, union contracts, and Plan provisions. Fire members are required to contribute 9.08 percent of their annual wages to the plan. Police supervisors are required to contribute 9.52 percent and police non-supervisors, 8.50 percent. Chapter 294 of the City of Lansing's Ordinance establishes benefit provisions and requires that the portion of the annuity and pension reserves (which are determined annually by the City's actuary) not financed by member contributions shall be financed by annual appropriations. The City's contribution rate for the plan for the year ended June 30, 2014 was 42.6 percent of projected valuation payroll.

Investment Policy. The plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment process that the Board deems appropriate. The Plan's asset allocation policy is shown on the following pages.

Rate of Return. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Concentrations. At June 30, 2014, the Plan held certain investments (other than those issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, or other pooled investments) in certain organizations that represent 5 percent or more of the Plan's fiduciary net position. Please see Note 4 for the details of these concentrations.

Reserves. In accordance with the Plan policy, the City establishes reserves for various purposes. The reserves are adjusted annually based on recommendations from the City's actuaries. The policy for creating and adjusting reserves was established and can be amended by the Plan Board of Trustees. A summary of the Plan reserves at June 30, 2014 is as follows:

Reserve/Group	Balance
Retirement reserve fund	\$ 300,473,516
Health insurance fund	23,437,214

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Net Pension Liability. The components of the net pension liability for the police and fire retirement system at June 30, 2014, were as follows:

Total pension liability	\$ 389,416,813
Plan fiduciary net position	<u>300,473,516</u>
Net pension liability	<u>\$ 88,943,297</u>
Plan fiduciary net position as percentage of total pension liability	77.16%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.10%
Salary increases	3.10%, plus service based increases
Investment rate of return	7.60%, net of investment expense and including inflation

Mortality is based on the RP-2000 tables (with Blue Collar adjustments for Police and Fire) for males and females. For Disabled members, the disabled versions of these tables are used with a 5 year age setback for males. Each of these tables is projected to 2008 using Scale BB. Future improvements in mortality for non-disabled members are anticipated by projecting these tables an additional 15 years using 50% of Scale BB.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience analysis conducted in 2012. The next assumption review is scheduled for 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, and the final investment return assumption, are summarized in the following table:

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Domestic equity	47.00%	5.80%	2.73%
International equity	18.00%	6.19%	1.11%
Fixed income	29.00%	2.30%	0.67%
Real estate	5.00%	4.20%	0.21%
Cash	1.00%	1.00%	0.01%
	<u>100.00%</u>		4.73%
Inflation			3.10%
Risk adjustments			<u>-0.23%</u>
Investment rate of return			<u>7.60%</u>

Discount Rate. The discount rate used to measure the total pension liability was 7.57%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be exhausted in the year 2072. Therefore, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return until 2070, and discounting with the 20-year AA municipal bond index rate of 3.75% thereafter. This projection is done on a closed group basis, per GASB requirements. On an ongoing, open-group basis, it is unlikely that the funds will be depleted because funding progress is frequently reviewed and adjustments are made to contribution levels.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.57 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.57 percent) or 1-percentage point higher (8.57 percent) than the current rate:

	One Percent Decrease (6.57%)	Current Discount Rate (7.57%)	One Percent Increase (8.57%)
Net pension liability	\$ 127,496,909	\$ 88,943,297	\$ 48,101,183

Employer Contributions. During the year ended June 30, 2014, total contributions of \$11,248,857 were made in accordance with actuarially determined requirements, computed through an actuarial valuation performed as of June 30, 2012.

Net Pension Obligation. The City's annual net pension cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Plan's annual net pension cost for the year, the amount actually contributed to the Plan, and changes in the net pension obligation:

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Annual required contribution	\$ 11,248,857
Interest on net pension obligation	13,605
Adjustment to annual required contribution	<u>(11,415)</u>
Net pension cost (expense)	11,251,047
Contributions made	<u>(11,248,857)</u>
Increase in net pension obligation	2,190
Net pension obligation, beginning of year	<u>179,013</u>
Net pension obligation, end of year	<u>\$ 181,203</u>

Employer contributions to the Plan for the current fiscal year and two years prior were as follows:

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension (Asset) Obligation
2012	\$ 9,241,957	98%	\$ 175,646 ⁽¹⁾
2013	10,136,966	100%	179,013
2014	11,251,047	100%	181,203

(1) The FY 2012 City contribution was reduced by \$185,093 in recognition of additional contributions by International Association of Firefighters (IAFF) employees, which were negotiated and contributed after the establishment of the June 30, 2012 ARC from the December 31, 2010 valuation.

The schedule of employer contributions, presented as required supplementary information (RSI) following the notes to the financial statements, presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Financial statements for individual pension and employee benefit plans:

	Pension and Other Postemployment Benefits Net Position						Totals
	Employees' Retirement System Pension	Employees' Retirement System OPEB	Police and Fire Retirement System	Police and Fire Retirement System OPEB	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	
Assets							
Cash and cash equivalents	\$ 19,982,273	\$ -	\$ 26,695,745	\$ -	\$ -	\$ -	\$ 46,678,018
Investments:							
Money market funds	2,102,607	250,268	2,317,922	194,871	-	-	4,865,668
Government obligations	21,933,213	2,610,652	27,864,968	2,342,645	1,955,526	19,089,954	75,796,958
Corporate bonds	22,924,615	2,728,656	31,250,185	2,627,245	-	-	59,530,701
Common stocks	49,634,397	5,907,851	80,996,763	6,809,505	-	-	143,348,516
Mutual funds	74,916,563	8,917,120	136,347,889	11,462,948	-	-	231,644,520
Contribution receivable	1,854	-	3,668	-	1,209	-	6,731
Dividends and interest receivable	221,546	-	270,958	-	-	128,059	620,563
Total assets	191,717,068	20,414,547	305,748,098	23,437,214	1,956,735	19,218,013	562,491,675
Liabilities							
Accounts payable	6,598,408	-	5,274,582	-	-	-	11,872,990
Net position restricted for							
Pension benefits	185,118,660	-	300,473,516	-	1,956,735	-	487,548,911
Other postemployment benefits	-	20,414,547	-	23,437,214	-	19,218,013	63,069,774
Total net position	\$ 185,118,660	\$ 20,414,547	\$ 300,473,516	\$ 23,437,214	\$ 1,956,735	\$ 19,218,013	\$ 550,618,685

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Changes in Pension and Other Postemployment Benefits Net Position							
	Employees' Retirement System Pension	Employees' Retirement System OPEB	Police and Fire Retirement System	Police and Fire Retirement System OPEB	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
Additions							
Investment income:							
Net appreciation in fair value of investments	\$ 16,146,577	\$ 2,811,623	\$ 31,629,973	\$ 3,054,556	\$ -	\$ -	\$ 53,642,729
Interest income	1,060,804	-	1,290,464	-	257,135	2,266,611	4,875,014
Dividend income	680,254	-	1,096,184	-	-	-	1,776,438
Investment expenses	-	-	-	-	(5,660)	-	(5,660)
Net investment income	<u>17,887,635</u>	<u>2,811,623</u>	<u>34,016,621</u>	<u>3,054,556</u>	<u>251,475</u>	<u>2,266,611</u>	<u>60,288,521</u>
Contributions:							
Employer	9,361,009	11,048,992	11,248,857	11,198,633	20,176	750,000	43,627,667
Plan members	1,290,678	-	2,911,896	-	3,494	-	4,206,068
Total contributions	<u>10,651,687</u>	<u>11,048,992</u>	<u>14,160,753</u>	<u>11,198,633</u>	<u>23,670</u>	<u>750,000</u>	<u>47,833,735</u>
Total additions	<u>28,539,322</u>	<u>13,860,615</u>	<u>48,177,374</u>	<u>14,253,189</u>	<u>275,145</u>	<u>3,016,611</u>	<u>108,122,256</u>
Deductions							
Participant benefits	22,957,379	10,638,992	26,852,038	10,258,633	20,757	-	70,727,799
Administrative expense	<u>741,037</u>	<u>-</u>	<u>1,141,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,882,543</u>
Total deductions	<u>23,698,416</u>	<u>10,638,992</u>	<u>27,993,544</u>	<u>10,258,633</u>	<u>20,757</u>	<u>-</u>	<u>72,610,342</u>
Change in net position	<u>4,840,906</u>	<u>3,221,623</u>	<u>20,183,830</u>	<u>3,994,556</u>	<u>254,388</u>	<u>3,016,611</u>	<u>35,511,914</u>
Net position restricted for pension and other postemployment benefits:							
Beginning of year	<u>180,277,754</u>	<u>17,192,924</u>	<u>280,289,686</u>	<u>19,442,658</u>	<u>1,702,347</u>	<u>16,201,402</u>	<u>515,106,771</u>
End of year	<u>\$ 185,118,660</u>	<u>\$ 20,414,547</u>	<u>\$ 300,473,516</u>	<u>\$ 23,437,214</u>	<u>\$ 1,956,735</u>	<u>\$ 19,218,013</u>	<u>\$ 550,618,685</u>

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

17. OTHER POSTEMPLOYMENT BENEFITS

Primary Government

Plan Description. The City of Lansing contributes to the Employees' Retirement System, the Police and Fire Retirement System, and the Voluntary Employees Beneficiary Association amounts to pre-fund postemployment healthcare. In the Employees' Retirement System and the Police and Fire Retirement System, these other postemployment benefits (OPEB) are set up as reserves in the pension plans, and their investments are commingled with the investments of the pension plan. Portfolio makeup is reported as a percentage of total pension plan assets. Earnings are calculated based on a seven year smoothed rate of return of the retirement systems. Eligible participants include any retirees who receive pension benefits under their respective pension plans, with the exception of Teamster 580 employees hired after May, 2014. OPEB plan provisions are established and may be amended by the City Council, subject to the City's various collective bargaining agreements. Separate financial statements are not prepared for the plans.

Basis of Accounting. The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments. Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of each plans' board of trustees, with the assistance of a valuation service.

Voluntary Employment Beneficiary Association (VEBA)

The City of Lansing Voluntary Employees Beneficiary Association (the "Plan") is a single-employer defined benefit post employment healthcare plan established by the City to provide medical and healthcare benefits for retirees and their beneficiaries. Eligible participants include any retirees who receive pension benefits under one of the City's pension plans. The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code that allows for the formation of a VEBA. During the year, the City contributed \$750,000 to the Plan.

Employees' Retirement System

The City provides postemployment health care benefits, in accordance with labor agreements, to full-time employees of the City and employees of the 54-A District Court (not including police officers and firefighters who are members of the Police and Fire Retirement System). Members eligible for pension benefits under the Employees' Retirement System are also eligible to receive health care benefits, with the exception of Teamster 580 employees hired after May, 2014. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$96.40 per month for each covered retiree and eligible dependent(s) eligible for retiree healthcare. The payments are charged to the fringe benefit internal service fund of the City and are recognized as expenses as payments are made.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Membership of the Plan consisted of the following at December 31, 2011, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	675
Terminated plan members entitled to but not yet receiving benefits	65
Active plan members	<u>481</u>
Total	<u><u>1,221</u></u>

During the year, the City contributed \$11,048,992 (direct benefit payments of \$10,638,992 and City contributions of \$410,000) to the Plan.

Annual required contribution	\$ 14,040,043
Interest on net OPEB obligation	170,506
Adjustment to annual required contribution	<u>(152,930)</u>
Net OPEB cost (expense)	14,057,619
Contributions made	<u>(11,048,992)</u>
Increase in net OPEB obligation	3,008,627
Net OPEB obligation, beginning of year	<u>3,965,258</u>
Net OPEB obligation, end of year	<u><u>\$ 6,973,885</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current year and the two preceding years were as follows:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 14,915,958	69.5%	\$ 1,337,371
2013	12,775,667	79.4%	3,965,258
2014	14,057,619	78.6%	6,973,885

The schedule of employer contributions, presented as required supplementary information (RSI) following the notes to the financial statements, presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Plan was 12.6 percent funded. The actuarial accrued liability for benefits was \$226,915,143, and the actuarial value of assets was \$28,680,151, resulting in an unfunded actuarial accrued liability (UAAL) of \$198,234,992. The covered payroll (annual payroll of active employees covered by the Plan) was \$24,813,423, and the ratio of the UAAL to the covered payroll was 798.9 percent. The Employees' Retirement System and VEBA were combined in the actuarial valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.3 percent investment rate of return (net of administrative expenses), which includes a 3.3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was thirty years.

Police and Fire Retirement System

The City also provides postemployment health care benefits, in accordance with labor agreements, to members who are eligible to receive pension benefits under the Police and Fire Retirement System. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$104.90 per month for each covered retiree and dependent(s). The payments are charged to the fringe benefit internal service fund of the City and are recognized as expenses as payments are made.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Membership of the Plan consisted of the following at December 31, 2011, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	478
Terminated plan members entitled to but not yet receiving benefits	16
Active plan members	<u>362</u>
Total	<u><u>856</u></u>

During the year, the City contributed \$11,198,633 (direct benefit payments of \$10,258,633 and City contributions of \$940,000) to the Plan.

Annual required contribution	\$ 16,852,426
Interest on net OPEB obligation	1,455,249
Adjustment to annual required contribution	<u>(1,362,139)</u>
Net OPEB cost (expense)	16,945,536
Contributions made	<u>(11,198,633)</u>
Increase in net OPEB obligation	5,746,903
Net OPEB obligation, beginning of year	<u>33,843,009</u>
Net OPEB obligation, end of year	<u><u>\$ 39,589,912</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current year and the two preceding years were as follows:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 17,844,115	55.4%	\$ 27,523,519
2013	17,489,692	63.9%	33,843,009
2014	16,945,536	66.1%	39,589,912

The schedule of employer contributions, presented as required supplementary information (RSI) following the notes to the financial statements, presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Plan was 7.4 percent funded. The actuarial accrued liability for benefits was \$252,220,445, and the actuarial value of assets was \$18,678,699, resulting in an unfunded actuarial accrued liability (UAAL) of \$233,541,746. The covered payroll (annual payroll of active employees covered by the Plan) was \$25,128,835, and the ratio of the UAAL to the covered payroll was 929.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.3 percent investment rate of return (net of administrative expenses), which includes a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was thirty years.

18. OPERATING LEASE

During fiscal year 2014, the City entered into an operating lease with the Lansing School District (the "District"), for approximately 86,900 square feet of the Hill Center for Academics and Technology for the purpose of operating a police precinct. The term of the lease runs through June 30, 2018. The City is required to make approximately \$800,000 worth of improvements to the leased space, the cost of which will be capitalized by the District. In addition, beginning July 1, 2016, rent payments will be made to the District by the City in monthly installments of \$2,083 (\$25,000 annually) and \$10,417 (\$125,000 annually) for the years ended June 1, 2017 and 2018, respectively.

CITY OF LANSING, MICHIGAN

Notes to Financial Statements

19. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

The City adopted the provisions of GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*, in the current year. In addition to the revised classification of certain financial elements in the financial statements, the implementation of GASB 65 resulted in the elimination of bond issuance costs as an asset. As a result of this change, beginning net position in various funds and activities decreased by the following amounts:

Opinion Unit	Amount of Decrease
Governmental Activities	<u>\$ 160,441</u>
Business-type Activities:	
Sewer Disposal System	524,852
Municipal Parking System	396,641
Nonmajor Enterprise Funds	<u>3,292</u>
Total business-type activities	<u>924,785</u>
Component Unit:	
Tax Increment Finance Authority	<u>143,468</u>
	<u><u>\$ 1,228,694</u></u>

20. SUBSEQUENT EVENTS

On July 9, 2014, the City issued \$2,360,000 of Limited Tax General Obligation bonds for sanitary sewer system improvements. Payments are to be made semi-annually over a 20 year period, beginning on April 1, 2016. Interest is charged on the outstanding balance at 2.50 percent.

On August 7, 2014, the City issued \$2,275,000 of capital improvement bonds. Payments are to be made semi-annually over a 3 year period, beginning on May 1, 2015. Interest is charged on the outstanding balance at rates that vary from 1.25 to 2.00 percent.

On September 30, 2014, the City signed an installment purchase agreement for the purchase of police vehicles for a total of \$491,241. Payments are to be made semi-annually over a 3 year period, beginning on April 1, 2015. The agreement includes interest at a rate of 1.44 percent.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Single-employer Defined Benefit Pension Plan

Employees' Retirement System

Schedules of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending June 30, 2014
Total pension liability	
Service cost	\$ 2,982,624
Interest on total pension liability	22,722,630
Benefit changes	-
Difference between expected and actual experience	-
Assumption changes	-
Benefit payments, including refunds	(22,790,522)
Net change in total pension liability	<u>2,914,732</u>
Total pension liability, beginning of year	<u>320,142,754</u>
Total pension liability, end of year	<u>\$ 323,057,486</u>
Plan fiduciary net position	
Employer contributions	\$ 9,361,009
Employee contributions	1,290,678
Pension plan net investment income	17,887,635
Benefit payments	(22,957,379)
Refunds	-
Pension plan administrative expense	(741,037)
Other	-
Net change in plan fiduciary net position	<u>4,840,906</u>
Plan fiduciary net position, beginning of year	<u>180,277,754</u>
Plan fiduciary net position, end of year	<u>\$ 185,118,660</u>
Net pension liability	<u>\$ 137,938,826</u>
Plan fiduciary net position as a percentage of total pension liability	57.3%
Covered employee payroll	<u>\$ 20,874,143</u>
Net pension liability as a percentage of covered employee payroll	660.81%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information Single-employer Defined Benefit Pension Plan

Employees' Retirement System

Schedule of the Net Pension Liability

Fiscal Year Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2014	\$323,057,486	\$185,118,660	\$137,938,826	57.3%	\$ 20,874,143	660.81%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Single-employer Defined Benefit Pension Plan

Employees' Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)*	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2005	\$ 4,675,000	\$ 4,675,000	\$ -	\$ 30,851,000	15.2%
2006	4,900,000	4,900,000	-	31,944,000	15.3%
2007	5,231,000	5,231,000	-	31,797,000	16.5%
2008	6,022,000	6,022,000	-	29,688,000	20.3%
2009	6,048,000	6,477,000	429,000	30,602,000	21.2%
2010	6,472,349	6,043,861	(428,488)	27,766,628	21.8%
2011	7,297,083	7,297,083	-	26,068,735	28.0%
2012	7,596,879	7,523,534	(73,345)	22,838,598	32.9%
2013	8,586,536	8,586,536	-	20,874,143	41.1%
2014	9,361,009	9,361,009	-	21,521,242	43.5%

* The City contributed in excess of its FY 2009 Actuarially Determined Employer Contribution (ADEC). The City's FY 2010 contribution was reduced by the dollar amount of the FY 2009 overpayment. The FY 2012 City contribution was reduced by \$73,345 in recognition of additional contributions by United Auto Workers (UAW) employees, which were negotiated and contributed after the establishment of the June 30, 2012 ADEC from the December 31, 2010 valuation.

The actuarially determined contribution was based on projected covered payroll. Employer contributions were made in full based on actual covered payroll. Accordingly, the actuarially-determined contribution has been expressed above as a percentage of actual payroll.

Notes to Schedule of Contributions

Valuation Date December 31, 2013 (rolled forward to June 30, 2014)
Notes Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	28 years
Asset valuation method	Open; 5-year smooth market
Inflation	3.10%
Salary increases	3.10% plus service based increases
Investment rate of return	7.60%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2011 valuation. The next study is scheduled for
Mortality	RP2000 Combined Healthy Tables set back one year for females. For Disabled members, the disabled version of these tables are assumed.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Single-employer Defined Benefit Pension Plan

Employees' Retirement System

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2014	12.70%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Single-employer Defined Benefit Pension Plan

Police and Fire Retirement System

Schedules of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending June 30, 2014
Total pension liability	
Service cost	\$ 6,614,784
Interest on total pension liability	27,896,927
Benefit changes	-
Difference between expected and actual experience	-
Assumption changes	-
Benefit payments, including refunds	(26,270,724)
Net change in total pension liability	<u>8,240,987</u>
Total pension liability, beginning of year	<u>381,175,826</u>
Total pension liability, end of year	<u><u>\$ 389,416,813</u></u>
Plan fiduciary net position	
Employer contributions	\$ 11,248,857
Employee contributions	2,911,896
Pension plan net investment income	34,016,621
Benefit payments	(26,852,038)
Refunds	-
Pension plan administrative expense	(1,141,506)
Other	-
Net change in plan fiduciary net position	<u>20,183,830</u>
Plan fiduciary net position, beginning of year	<u>280,289,686</u>
Plan fiduciary net position, end of year	<u><u>\$ 300,473,516</u></u>
Net pension liability	<u><u>\$ 88,943,297</u></u>
Plan fiduciary net position as a percentage of total pension liability	77.2%
Covered employee payroll	<u><u>\$ 25,611,974</u></u>
Net pension liability as a percentage of covered employee payroll	347.27%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Single-employer Defined Benefit Pension Plan

Police and Fire Retirement System

Schedule of the Net Pension Liability

Fiscal Year Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2014	\$389,416,813	\$300,473,516	\$ 88,943,297	77.2%	\$ 25,611,974	347.27%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Single-employer Defined Benefit Pension Plan

Police and Fire Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution*	Actual Contribution	Contribution Deficiency (Excess)*	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2005	\$ 3,333,869	\$ 3,333,869	\$ -	\$ 27,855,000	12.0%
2006	4,658,703	4,658,703	-	29,582,000	15.7%
2007	5,385,960	5,385,960	-	29,600,000	18.2%
2008	6,520,974	6,520,974	-	30,161,000	21.6%
2009	6,094,397	6,483,000	388,603	30,443,000	21.3%
2010	7,179,360	6,790,757	(388,603)	28,536,056	23.8%
2011	8,240,688	8,240,688	-	25,128,835	32.8%
2012	9,242,173	9,057,080	(185,093)	26,121,411	34.7%
2013	10,133,599	10,133,599	-	25,636,626	39.5%
2014	11,248,857	11,248,857	-	26,405,725	42.6%

* The City contributed in excess of its FY 2009 Actuarially Determined Employer Contribution (ADEC). The City's FY 2010 contribution was reduced by the dollar amount of the FY 2009 overpayment. The FY 2012 City contribution was reduced by \$185,093 in recognition of additional contributions by International Association of Firefighters (IAFF) employees, which were negotiated and contributed after the establishment of the June 30, 2012 ADEC from the December 31, 2010 valuation.

The actuarially determined contribution was based on projected covered payroll. Employer contributions were made in full based on actual covered payroll. Accordingly, the actuarially-determined contribution has been expressed above as a percentage of actual payroll.

Notes to Schedule of Contributions

Valuation Date December 31, 2013 (rolled forward to June 30, 2014)

Notes Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	28 years
Asset valuation method	Open; 5-year smooth market
Inflation	3.10%
Salary increases	3.10% plus service based increases
Investment rate of return	7.60%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2011 valuation. The next study is scheduled for
Mortality	RP2000 Combined Healthy Tables set back one year for females. For Disabled members, the disabled version of these tables are assumed.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Single-employer Defined Benefit Pension Plan

Police and Fire Retirement System

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2014	10.60%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF LANSING, MICHIGAN

Required Supplementary Information

Other Postemployment Benefit Plans

(amounts in thousands)

Employees' Retirement System and VEBA - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Underfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2006	\$ 14,337	\$ 147,388	\$ 133,051	9.7%	\$ 31,944	416.5%
12/31/2009	24,364	203,400	179,036	12.0%	30,602	585.0%
12/31/2011	28,680	226,915	198,235	12.6%	24,813	798.9%

Police and Fire Retirement System - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Underfunded (Overfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2006	\$ 13,064	\$ 155,559	\$ 142,495	8.4%	\$ 29,582	481.7%
12/31/2009	17,477	214,899	197,422	8.1%	30,443	648.5%
12/31/2011	18,679	252,220	233,541	7.4%	25,129	929.4%

Employees' Retirement System and VEBA - Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2012	\$ 14,981	69.2%
2013	12,770	79.5%
2014	14,040	78.7%

Police and Fire Retirement System - Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2012	\$ 17,450	56.7%
2013	17,414	64.1%
2014	16,852	66.5%

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

CITY OF LANSING, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
Assets					
Cash and cash equivalents	\$ 57,262	\$ -	\$ -	\$ -	\$ 57,262
Equity in pooled cash and investments	7,285,289	-	784,064	1,718,595	9,787,948
Accounts receivable, net	11,905	-	142,972	-	154,877
Special assessments receivable	-	-	500,778	-	500,778
Loans receivable	1,432,342	-	-	-	1,432,342
Accrued interest receivable	2,147,867	-	-	-	2,147,867
Due from other funds	-	-	4,055,000	-	4,055,000
Due from other governments	6,014,008	-	1,070	-	6,015,078
Inventories	833,380	-	-	-	833,380
Total assets	\$ 17,782,053	\$ -	\$ 5,483,884	\$ 1,718,595	\$ 24,984,532
Liabilities					
Accounts payable	\$ 1,852,918	\$ -	\$ 859,572	\$ -	\$ 2,712,490
Deposits payable	47,028	-	-	-	47,028
Accrued payroll	32,981	-	-	-	32,981
Due to other funds	3,780,000	-	-	-	3,780,000
Advances from other funds	-	-	362,224	-	362,224
Due to other governments	333,749	-	-	-	333,749
Unearned revenue	335,397	-	-	-	335,397
Total liabilities	6,382,073	-	1,221,796	-	7,603,869
Deferred inflows of resources					
Unavailable revenue - loans receivable	3,380,209	-	-	-	3,380,209
Unavailable revenue - special assessments	-	-	444,596	-	444,596
Total deferred inflows of resources	3,380,209	-	444,596	-	3,824,805
Fund balances					
Nonspendable	833,380	-	-	1,718,595	2,551,975
Restricted	6,719,503	-	183,425	-	6,902,928
Committed	666,888	-	3,956,224	-	4,623,112
Unassigned (deficit)	(200,000)	-	(322,157)	-	(522,157)
Total fund balances	8,019,771	-	3,817,492	1,718,595	13,555,858
Total liabilities, deferred inflows of resources and fund balances	\$ 17,782,053	\$ -	\$ 5,483,884	\$ 1,718,595	\$ 24,984,532

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2014

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
Revenues					
Taxes and special assessments	\$ 409,030	\$ 498,289	\$ 97,774	\$ -	\$ 1,005,093
Intergovernmental	26,622,203	-	-	-	26,622,203
Charges for services	3,884,685	-	803,748	-	4,688,433
Fines and forfeits	422,795	-	-	-	422,795
Interest	-	-	713	6,703	7,416
Contributions	10,000	-	-	-	10,000
Other revenues	457,126	-	-	-	457,126
Total revenues	31,805,839	498,289	902,235	6,703	33,213,066
Expenditures					
Current expenditures:					
General government	2,913,725	-	-	-	2,913,725
Public safety	5,366,896	-	-	-	5,366,896
Public works	3,361,393	-	-	-	3,361,393
Highways and streets	10,496,880	-	-	-	10,496,880
Recreation and culture	716,235	-	-	-	716,235
Community development	3,646,035	-	-	-	3,646,035
Debt service:					
Principal	1,372,809	650,000	-	-	2,022,809
Interest	606,914	139,888	-	-	746,802
Capital outlay	5,928,517	-	2,786,676	-	8,715,193
Total expenditures	34,409,404	789,888	2,786,676	-	37,985,968
Revenues over (under) expenditures	(2,603,565)	(291,599)	(1,884,441)	6,703	(4,772,902)
Other financing sources (uses)					
Transfers in	6,982,691	291,421	2,847,400	15,650	10,137,162
Transfers out	(1,812,535)	-	(1,525,410)	(6,703)	(3,344,648)
Proceeds on sale of capital assets	94,598	-	-	-	94,598
Issuance of long-term debt	-	-	986,300	-	986,300
Total other financing sources (uses)	5,264,754	291,421	2,308,290	8,947	7,873,412
Net change in fund balances	2,661,189	(178)	423,849	15,650	3,100,510
Fund balances, beginning of year	5,358,582	178	3,393,643	1,702,945	10,455,348
Fund balances, end of year	\$ 8,019,771	\$ -	\$ 3,817,492	\$ 1,718,595	\$ 13,555,858

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CITY OF LANSING, MICHIGAN

Nonmajor Special Revenue Funds

Major Streets Fund - This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of major streets.

Local Streets Fund - This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of local streets.

Drug Law Enforcement Federal Fund - This fund accounts for federal revenues, from the Departments of Justice and Treasury, set aside for drug law enforcement under the provisions of Federal Grant Agreements.

Drug Law Enforcement State and Local Fund - This fund accounts for state and local revenues, from the Departments of Justice and Treasury, set aside for drug law enforcement under the provisions of State of Michigan Public Act 135 of 1985, as amended.

Community Development Block Grant Program Fund - This fund accounts for revenues received from the Department of Housing and Urban Development. These revenues are restricted to accomplishing the various objectives of Community Development Block Grant Programs, within specific target areas.

Downtown Lansing, Inc. Fund - This fund accounts for assessments received from businesses located in the district. The revenues are used for special events and maintenance of the district.

Building Department Fund - This fund accounts for revenues and expenditures resulting from the enforcement of the State Construction Code Act of 1999 (PA 245 of 1999).

Parks Department Fund - This fund accounts for contributions and transfers which are restricted for park expenditures.

The State and Federal Grants Fund - This fund accounts for all revenues received from miscellaneous grants and local contributions. These revenues are used for projects as detailed in individual grant applications.

Tri-County Metro Fund - This fund accounts for the operations of the Tri-County Metro Narcotics Squad.

CITY OF LANSING, MICHIGAN

Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2014

	Major Streets	Local Streets	Drug Law Enforcement Federal	Drug Law Enforcement State and Local	Community Development Block Grant Program
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 20,000	\$ -
Equity in pooled cash and investments	2,571,869	2,110,793	97,931	350,578	49,604
Accounts receivable, net	-	-	-	9,370	-
Loans receivable	-	-	-	-	1,385,000
Accrued interest receivable	-	-	-	-	2,147,867
Due from other governments	1,125,690	312,945	-	-	849,374
Inventories	821,293	12,087	-	-	-
Total assets	\$ 4,518,852	\$ 2,435,825	\$ 97,931	\$ 379,948	\$ 4,431,845
Liabilities					
Accounts payable	\$ 558,314	\$ 82,521	\$ 7,838	\$ 80,334	\$ 192,902
Deposits payable	-	-	-	-	-
Accrued payroll	319	201	-	-	6,076
Due to other funds	-	30,000	-	-	900,000
Due to other governments	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	558,633	112,722	7,838	80,334	1,098,978
Deferred inflows of resources					
Unavailable revenue - loans receivable	-	-	-	-	3,332,867
Fund balances					
Nonspendable	821,293	12,087	-	-	-
Restricted	3,138,926	2,311,016	90,093	299,614	-
Committed	-	-	-	-	200,000
Unassigned (deficit)	-	-	-	-	(200,000)
Total fund balances	3,960,219	2,323,103	90,093	299,614	-
Total liabilities, deferred inflows of resources and fund balances	\$ 4,518,852	\$ 2,435,825	\$ 97,931	\$ 379,948	\$ 4,431,845

Downtown Lansing, Inc.	Building Department	Parks Department	State and Federal Grants	Tri-County Metro	Totals
\$ -	\$ -	\$ -	\$ -	\$ 37,262	\$ 57,262
17,613	181,907	466,888	372,972	1,065,134	7,285,289
-	2,535	-	-	-	11,905
-	-	-	47,342	-	1,432,342
-	-	-	-	-	2,147,867
-	-	-	3,702,452	23,547	6,014,008
-	-	-	-	-	833,380
<u>\$ 17,613</u>	<u>\$ 184,442</u>	<u>\$ 466,888</u>	<u>\$ 4,122,766</u>	<u>\$ 1,125,943</u>	<u>\$ 17,782,053</u>
\$ 1,883	\$ 880	\$ -	\$ 878,403	\$ 49,843	\$ 1,852,918
-	-	-	-	47,028	47,028
3,121	15,333	-	7,271	660	32,981
-	-	-	2,850,000	-	3,780,000
-	-	-	-	333,749	333,749
-	-	-	335,397	-	335,397
<u>5,004</u>	<u>16,213</u>	<u>-</u>	<u>4,071,071</u>	<u>431,280</u>	<u>6,382,073</u>
-	-	-	47,342	-	3,380,209
-	-	-	-	-	833,380
12,609	168,229	-	4,353	694,663	6,719,503
-	-	466,888	-	-	666,888
-	-	-	-	-	(200,000)
<u>12,609</u>	<u>168,229</u>	<u>466,888</u>	<u>4,353</u>	<u>694,663</u>	<u>8,019,771</u>
<u>\$ 17,613</u>	<u>\$ 184,442</u>	<u>\$ 466,888</u>	<u>\$ 4,122,766</u>	<u>\$ 1,125,943</u>	<u>\$ 17,782,053</u>

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	Major Streets	Local Streets	Drug Law Enforcement Federal	Drug Law Enforcement State and Local	Community Development Block Grant Program
Revenues					
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	8,040,045	1,900,816	313,525	-	4,152,230
Charges for services	865,337	750,509	-	-	-
Fines and forfeits	-	-	-	226,551	-
Contributions	-	-	-	-	-
Other revenues	176,297	9,268	-	-	87,294
Total revenues	9,081,679	2,660,593	313,525	226,551	4,239,524
Expenditures					
Current expenditures:					
General government	-	-	-	-	-
Public safety	-	-	239,056	-	-
Public works	-	-	-	-	-
Highways and streets	5,912,679	4,584,201	-	-	-
Recreation and culture	-	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	459,289	913,520	-	-	-
Interest	153,565	453,349	-	-	-
Capital outlay	1,395,762	293,231	-	-	4,239,524
Total expenditures	7,921,295	6,244,301	239,056	-	4,239,524
Revenues over (under) expenditures	1,160,384	(3,583,708)	74,469	226,551	-
Other financing sources (uses)					
Transfers in	681,652	5,653,200	15,624	-	-
Transfers out	(1,791,000)	-	-	(21,535)	-
Proceeds on sale of capital assets	-	-	-	94,598	-
Total other financing sources (uses)	(1,109,348)	5,653,200	15,624	73,063	-
Net change in fund balances	51,036	2,069,492	90,093	299,614	-
Fund balances, beginning of year	3,909,183	253,611	-	-	-
Fund balances, end of year	\$ 3,960,219	\$ 2,323,103	\$ 90,093	\$ 299,614	\$ -

Downtown Lansing, Inc.	Building Department	Parks Department	State and Federal Grants	Tri-County Metro	Totals
\$ 409,030	\$ -	\$ -	\$ -	\$ -	\$ 409,030
-	-	-	11,517,692	697,895	26,622,203
4,658	2,264,181	-	-	-	3,884,685
-	-	-	-	196,244	422,795
10,000	-	-	-	-	10,000
178,314	-	-	5,953	-	457,126
602,002	2,264,181	-	11,523,645	894,139	31,805,839
663,723	2,096,552	-	153,450	-	2,913,725
-	-	-	4,206,880	920,960	5,366,896
-	-	-	3,361,393	-	3,361,393
-	-	-	-	-	10,496,880
-	-	-	716,235	-	716,235
-	-	-	3,646,035	-	3,646,035
-	-	-	-	-	1,372,809
-	-	-	-	-	606,914
-	-	-	-	-	5,928,517
663,723	2,096,552	-	12,083,993	920,960	34,409,404
(61,721)	167,629	-	(560,348)	(26,821)	(2,603,565)
60,470	-	-	550,210	21,535	6,982,691
-	-	-	-	-	(1,812,535)
-	-	-	-	-	94,598
60,470	-	-	550,210	21,535	5,264,754
(1,251)	167,629	-	(10,138)	(5,286)	2,661,189
13,860	600	466,888	14,491	699,949	5,358,582
\$ 12,609	\$ 168,229	\$ 466,888	\$ 4,353	\$ 694,663	\$ 8,019,771

CITY OF LANSING, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2014

	Major Streets		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	7,362,880	8,040,045	677,165
Charges for services	471,240	865,337	394,097
Fines and forfeits	-	-	-
Contributions	-	-	-
Other revenues	46,000	176,297	130,297
Total revenues	7,880,120	9,081,679	1,201,559
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Highways and streets	6,387,324	5,912,679	(474,645)
Recreation and culture	-	-	-
Community development	-	-	-
Debt service:			
Principal	459,289	459,289	-
Interest	154,927	153,565	(1,362)
Capital outlay	3,663,415	1,395,762	(2,267,653)
Total expenditures	10,664,955	7,921,295	(2,743,660)
Revenues over (under) expenditures	(2,784,835)	1,160,384	3,945,219
Other financing sources (uses)			
Transfers in	1,441,540	681,652	(759,888)
Transfers out	(1,791,000)	(1,791,000)	-
Proceeds on sale of capital assets	-	-	-
Total other financing sources (uses)	(349,460)	(1,109,348)	(759,888)
Net change in fund balances	(3,134,295)	51,036	3,185,331
Fund balances, beginning of year	3,909,183	3,909,183	-
Fund balances (deficit), end of year	\$ 774,888	\$ 3,960,219	\$ 3,185,331

Local Streets			Drug Law Enforcement Federal		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,900,580	1,900,816	236	100,000	313,525	213,525
365,000	750,509	385,509	-	-	-
-	-	-	240,000	-	(240,000)
-	-	-	-	-	-
-	9,268	9,268	-	-	-
2,265,580	2,660,593	395,013	340,000	313,525	(26,475)
-	-	-	-	-	-
-	-	-	274,500	239,056	(35,444)
-	-	-	-	-	-
5,105,251	4,584,201	(521,050)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
913,520	913,520	-	-	-	-
456,829	453,349	(3,480)	-	-	-
1,773,857	293,231	(1,480,626)	-	-	-
8,249,457	6,244,301	(2,005,156)	274,500	239,056	(35,444)
(5,983,877)	(3,583,708)	2,400,169	65,500	74,469	8,969
5,653,200	5,653,200	-	-	15,624	15,624
-	-	-	-	-	-
-	-	-	-	-	-
5,653,200	5,653,200	-	-	15,624	15,624
(330,677)	2,069,492	2,400,169	65,500	90,093	24,593
253,611	253,611	-	-	-	-
\$ (77,066)	\$ 2,323,103	\$ 2,400,169	\$ 65,500	\$ 90,093	\$ 24,593

continued...

CITY OF LANSING, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2014

	Drug Law Enforcement State and Local		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeits	119,400	226,551	107,151
Contributions	-	-	-
Other revenues	-	-	-
Total revenues	119,400	226,551	107,151
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	50,000	-	(50,000)
Public works	-	-	-
Highways and streets	-	-	-
Recreation and culture	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	50,000	-	(50,000)
Revenues over (under) expenditures	69,400	226,551	157,151
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(21,535)	(21,535)	-
Proceeds on sale of capital assets	91,000	94,598	(3,598)
Total other financing sources (uses)	69,465	73,063	(3,598)
Net change in fund balances	138,865	299,614	153,553
Fund balances, beginning of year	-	-	-
Fund balances (deficit), end of year	\$ 138,865	\$ 299,614	\$ 153,553

Community Development Block Grant Program			Downtown Lansing, Inc.		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ 416,000	\$ 409,030	\$ (6,970)
5,241,943	4,152,230	(1,089,713)	-	-	-
-	-	-	4,800	4,658	(142)
-	-	-	-	-	-
-	-	-	10,000	10,000	-
68,653	87,294	18,641	205,580	178,314	(27,266)
<u>5,310,596</u>	<u>4,239,524</u>	<u>(1,071,072)</u>	<u>636,380</u>	<u>602,002</u>	<u>(34,378)</u>
-	-	-	684,170	663,723	(20,447)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,310,596	4,239,524	(1,071,072)	-	-	-
<u>5,310,596</u>	<u>4,239,524</u>	<u>(1,071,072)</u>	<u>684,170</u>	<u>663,723</u>	<u>(20,447)</u>
-	-	-	(47,790)	(61,721)	(13,931)
-	-	-	60,470	60,470	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	60,470	60,470	-
-	-	-	12,680	(1,251)	(13,931)
-	-	-	13,860	13,860	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,540</u>	<u>\$ 12,609</u>	<u>\$ (13,931)</u>

continued...

CITY OF LANSING, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2014

	Building Department		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	2,182,300	2,264,181	81,881
Fines and forfeits	-	-	-
Contributions	-	-	-
Other revenues	-	-	-
Total revenues	2,182,300	2,264,181	81,881
Expenditures			
Current expenditures:			
General government	2,346,616	2,096,552	(250,064)
Public safety	-	-	-
Public works	-	-	-
Highways and streets	-	-	-
Recreation and culture	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	2,346,616	2,096,552	(250,064)
Revenues over (under) expenditures	(164,316)	167,629	331,945
Other financing sources (uses)			
Transfers in	164,316	-	(164,316)
Transfers out	-	-	-
Proceeds on sale of capital assets	-	-	-
Total other financing sources (uses)	164,316	-	(164,316)
Net change in fund balances	-	167,629	167,629
Fund balances, beginning of year	600	600	-
Fund balances (deficit), end of year	\$ 600	\$ 168,229	\$ 167,629

Parks Department			State and Federal Grants		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	19,166,562	11,517,692	(7,648,870)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(476,193)	5,953	482,146
-	-	-	18,690,369	11,523,645	(7,166,724)
-	-	-	374,400	153,450	(220,950)
-	-	-	5,649,354	4,206,880	(1,442,474)
-	-	-	528,059	3,361,393	2,833,334
-	-	-	-	-	-
41,175	-	(41,175)	771,748	716,235	(55,513)
-	-	-	7,370,926	3,646,035	(3,724,891)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
41,175	-	(41,175)	14,694,486	12,083,993	(2,610,493)
(41,175)	-	41,175	3,995,883	(560,348)	(4,556,231)
-	-	-	430,123	550,210	120,087
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	430,123	550,210	120,087
(41,175)	-	41,175	4,426,007	(10,138)	(4,436,145)
466,888	466,888	-	14,491	14,491	-
\$ 425,713	\$ 466,888	\$ 41,175	\$ 4,440,498	\$ 4,353	(4,436,145)

continued...

CITY OF LANSING, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2014

	Tri-County Metro		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	697,895	697,895	-
Charges for services	-	-	-
Fines and forfeits	435,000	196,244	(238,756)
Contributions	-	-	-
Other revenues	-	-	-
Total revenues	1,132,895	894,139	(238,756)
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	1,151,494	920,960	(230,534)
Public works	-	-	-
Highways and streets	-	-	-
Recreation and culture	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	1,151,494	920,960	(230,534)
Revenues over (under) expenditures	(18,599)	(26,821)	(8,222)
Other financing sources (uses)			
Transfers in	21,535	21,535	-
Transfers out	(2,936)	-	2,936
Proceeds on sale of capital assets	-	-	-
Total other financing sources (uses)	18,599	21,535	2,936
Net change in fund balances	-	(5,286)	(5,286)
Fund balances, beginning of year	699,949	699,949	-
Fund balances (deficit), end of year	\$ 699,949	\$ 694,663	\$ (5,286)

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CITY OF LANSING, MICHIGAN

■ Nonmajor Debt Service Funds

1998 Building Authority Fund - This fund accounts for the accumulation of resources for payment of the 1998 \$2,175,000 Building Authority Bonds.

1999 Fire Station Fund - This fund accounts for the accumulation of resources for payment of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.

2001 Fire Station Fund - This fund accounts for the accumulation of resources for the payment of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.

CITY OF LANSING, MICHIGAN

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2014

	1998 Building Authority	1999 Fire Station	2001 Fire Station	Totals
Assets				
Equity in pooled cash and investments	\$ -	\$ -	\$ -	\$ -
Fund balances				
Restricted	\$ -	\$ -	\$ -	\$ -

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Year Ended June 30, 2014

	1998 Building Authority	1999 Fire Station	2001 Fire Station	Totals
Revenues				
Taxes and special assessments	\$ -	\$ 259,585	\$ 238,704	\$ 498,289
Expenditures				
Debt service:				
Principal	135,000	205,000	310,000	650,000
Interest	36,100	54,763	49,025	139,888
Total expenditures	171,100	259,763	359,025	789,888
Revenues over (under) expenditures	(171,100)	(178)	(120,321)	(291,599)
Other financing sources				
Transfers in	171,100	-	120,321	291,421
Net change in fund balances	-	(178)	-	(178)
Fund balances, beginning of year	-	178	-	178
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

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CITY OF LANSING, MICHIGAN

■ Nonmajor Capital Projects Funds

1990 Environmental I Fund - This fund accounts for the proceeds of the 1990 \$7,000,000 environmental bonds.

1990 Environmental II Fund - This fund accounts for the proceeds of the 1990 \$6,300,000 environmental bonds.

Special Assessments Fund - This fund is used to account for the financing of public improvements deemed to benefit the properties against which special assessments are levied.

Lansing Center Improvements Fund - This fund accounts for the proceeds of the 2006 \$4,000,000 Lansing Center limited tax bonds.

Other Capital Projects Fund - This fund accounts for miscellaneous capital projects.

CITY OF LANSING, MICHIGAN

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2014

	1990 Environ- mental I	1990 Environ- mental II	Special Assessments	Lansing Center Improvements
Assets				
Equity in pooled cash and investments	\$ 382	\$ 158,892	\$ -	\$ 53,336
Accounts receivable, net	-	-	-	-
Special assessments receivable:				
Current	-	-	56,182	-
Deferred	-	-	444,596	-
Due from other funds	-	-	-	-
Due from other governments	-	-	1,070	-
Total assets	<u>\$ 382</u>	<u>\$ 158,892</u>	<u>\$ 501,848</u>	<u>\$ 53,336</u>
Liabilities				
Accounts payable	\$ -	\$ 2,417	\$ 17,185	\$ 26,768
Advance from other funds	-	-	362,224	-
Total liabilities	<u>-</u>	<u>2,417</u>	<u>379,409</u>	<u>26,768</u>
Deferred inflows of resources				
Unavailable revenue - special assessments	-	-	444,596	-
Fund balances				
Restricted	382	156,475	-	26,568
Committed	-	-	-	-
Unassigned (deficit)	-	-	(322,157)	-
Total fund balances (deficit)	<u>382</u>	<u>156,475</u>	<u>(322,157)</u>	<u>26,568</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 382</u>	<u>\$ 158,892</u>	<u>\$ 501,848</u>	<u>\$ 53,336</u>

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Other	Totals
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\$ 571,454	\$ 784,064
142,972	142,972

-	56,182
-	444,596
4,055,000	4,055,000
-	1,070

<u>\$ 4,769,426</u>	<u>\$ 5,483,884</u>
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\$ 813,202	\$ 859,572
-	362,224

<u>813,202</u>	<u>1,221,796</u>
----------------	------------------

<u>-</u>	<u>444,596</u>
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-	183,425
3,956,224	3,956,224
-	(322,157)

<u>3,956,224</u>	<u>3,817,492</u>
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<u>\$ 4,769,426</u>	<u>\$ 5,483,884</u>
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CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Projects Funds

For the Year Ended June 30, 2014

	1990 Environ- mental I	1990 Environ- mental II	Special Assessments	Lansing Center Improvements
Revenues				
Special assessments	\$ -	\$ -	\$ 97,774	\$ -
Charges for services	-	-	-	-
Interest	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	-	97,774	-
Expenditures				
Capital outlay	-	14,217	-	47,675
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	-	(14,217)	97,774	(47,675)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Issuance of long-term debt	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	(14,217)	97,774	(47,675)
Fund balances (deficit), beginning of year	382	170,692	(419,931)	74,243
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances (deficit), end of year	<u>\$ 382</u>	<u>\$ 156,475</u>	<u>\$ (322,157)</u>	<u>\$ 26,568</u>

Other	Totals
\$ -	\$ 97,774
803,748	803,748
713	713
<hr/>	<hr/>
804,461	902,235
<hr/>	<hr/>
2,724,784	2,786,676
<hr/>	<hr/>
(1,920,323)	(1,884,441)
2,847,400	2,847,400
(1,525,410)	(1,525,410)
986,300	986,300
<hr/>	<hr/>
2,308,290	2,308,290
387,967	423,849
<hr/>	<hr/>
3,568,257	3,393,643
<hr/>	<hr/>
\$ 3,956,224	\$ 3,817,492
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CITY OF LANSING, MICHIGAN

■ Nonmajor Permanent Funds

Cemetery Perpetual Care Fund - This fund accounts for transfers from the Cemetery Fund, representing 15% of lot sales. These funds are invested, and all investment earnings are transferred to the Cemetery Fund for lot maintenance.

Parks Trust Fund - This fund accounts for contributions made for City parks, the principal of which must be preserved in accordance with the trust indentures. Income derived from these contributions is transferred to the Parks Department special revenue fund.

CITY OF LANSING, MICHIGAN

Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2014

	Cemetery Perpetual Care	Parks Trust	Totals
Assets			
Equity in pooled cash and investments	\$ 1,717,344	\$ 1,251	\$ 1,718,595
Fund balances			
Nonspendable	\$ 1,717,344	\$ 1,251	\$ 1,718,595

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Permanent Funds

For the Year Ended June 30, 2014

	Cemetery Perpetual Care	Parks Trust	Totals
Revenues			
Interest	\$ 6,703	\$ -	\$ 6,703
Other financing sources (uses)			
Transfers in	15,650	-	15,650
Transfers out	(6,703)	-	(6,703)
Total other financing sources (uses)	8,947	-	8,947
Net change in fund balances	15,650	-	15,650
Fund balances, beginning of year	1,701,694	1,251	1,702,945
Fund balances, end of year	\$ 1,717,344	\$ 1,251	\$ 1,718,595

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CITY OF LANSING, MICHIGAN

■ Nonmajor Enterprise Funds

Cemetery Fund - This fund accounts for the operation of City-owned cemeteries.

Golf Fund - This fund accounts for the operation of the City-owned golf courses.

Garbage and Rubbish Collection Fund - This fund accounts for the provision of household solid waste disposal services to participating residents of the City.

Recycling Fund - This fund accounts for the provision of recycling services to participating residents of the City.

CITY OF LANSING, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2014

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Totals
Assets					
Current assets:					
Cash and cash equivalents	\$ 200	\$ 300	\$ -	\$ -	\$ 500
Equity in pooled cash and investments	137,341	104,155	105,815	1,474,802	1,822,113
Accounts receivable, net	-	5,292	50,584	-	55,876
Inventories	58,839	6,214	23,125	-	88,178
Total current assets	196,380	115,961	179,524	1,474,802	1,966,667
Noncurrent assets:					
Capital assets not being depreciated	57,740	446,501	-	-	504,241
Capital assets being depreciated, net	144,704	2,109,580	-	1,655,567	3,909,851
Total noncurrent assets	202,444	2,556,081	-	1,655,567	4,414,092
Total assets	398,824	2,672,042	179,524	3,130,369	6,380,759
Deferred outflows of resources					
Deferred refunding loss	-	7,291	-	-	7,291
Liabilities					
Current liabilities:					
Accounts payable	39,463	2,890	49,924	56,638	148,915
Deposits payable	-	-	4,140	-	4,140
Accrued interest payable	-	610	-	8,174	8,784
Accrued payroll	1,015	15,441	-	-	16,456
Due to other funds	-	5,271	-	-	5,271
Unearned revenues	-	39,870	67,677	-	107,547
Current portion of:					
Bonds and notes payable	-	100,000	-	208,649	308,649
Total current liabilities	40,478	164,082	121,741	273,461	599,762
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	-	205,000	-	1,459,432	1,664,432
Compensated absences, net of current portion	31,884	57,956	49,870	103,827	243,537
Total noncurrent liabilities	31,884	262,956	49,870	1,563,259	1,907,969
Total liabilities	72,362	427,038	171,611	1,836,720	2,507,731
Net position					
Net investment in capital assets	202,444	2,258,372	-	(12,514)	2,448,302
Unrestricted	124,018	(6,077)	7,913	1,306,163	1,432,017
Total net position	\$ 326,462	\$ 2,252,295	\$ 7,913	\$ 1,293,649	\$ 3,880,319

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Nonmajor Enterprise Funds

For the Year Ended June 30, 2014

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Totals
Operating revenues					
Charges for services	\$ 289,565	\$ 366,567	\$ 1,664,201	\$ 3,508,536	\$ 5,828,869
Operating expenses					
Personal services	376,005	539,933	978,657	1,793,176	3,687,771
Purchase of goods and services	330,075	283,083	744,186	1,292,870	2,650,214
Depreciation	16,190	91,118	-	150,506	257,814
Total operating expenses	722,270	914,134	1,722,843	3,236,552	6,595,799
Operating income (loss)	(432,705)	(547,567)	(58,642)	271,984	(766,930)
Nonoperating expenses					
Interest revenue	-	9,520	-	-	9,520
Interest expense and fees	-	(21,537)	-	(27,001)	(48,538)
Total nonoperating revenues (expenses)	-	(12,017)	-	(27,001)	(39,018)
Income (loss) before transfers	(432,705)	(559,584)	(58,642)	244,983	(805,948)
Transfers in	458,103	563,184	-	-	1,021,287
Transfers out	(15,650)	-	-	-	(15,650)
Change in net position	9,748	3,600	(58,642)	244,983	199,689
Net position, beginning of year, as restated	316,714	2,248,695	66,555	1,048,666	3,680,630
Net position, end of year	\$ 326,462	\$ 2,252,295	\$ 7,913	\$ 1,293,649	\$ 3,880,319

CITY OF LANSING, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2014

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Totals
Cash flows from operating activities					
Cash received from customers	\$ 289,565	\$ 373,105	\$ 1,687,783	\$ 3,508,536	\$ 5,858,989
Cash payments for goods and services	(341,123)	(358,223)	(1,222,064)	(1,273,719)	(3,195,129)
Cash payments to employees	(373,902)	(531,691)	(975,528)	(1,787,294)	(3,668,415)
Net cash provided by (used in) operating activities	(425,460)	(516,809)	(509,809)	447,523	(1,004,555)
Cash flows from noncapital financing activities					
Transfers in	458,103	563,184	-	-	1,021,287
Transfers out	(15,650)	-	-	-	(15,650)
Net cash provided by noncapital financing activities	442,453	563,184	-	-	1,005,637
Cash flows from capital and related financing activities					
Acquisition of capital assets	-	-	-	(1,806,073)	(1,806,073)
Proceeds from issuance of long-term debt	-	-	-	1,737,700	1,737,700
Principal paid on long-term debt	-	(100,000)	-	(69,619)	(169,619)
Interest paid on long-term debt	-	(19,240)	-	(18,827)	(38,067)
Net cash used in capital and related financing activities	-	(119,240)	-	(156,819)	(276,059)
Cash flows from investing activities					
Interest and dividends received	-	9,520	-	-	9,520
Net change in cash and cash equivalents	16,993	(63,345)	(509,809)	290,704	(265,457)
Cash and cash equivalents:					
Beginning of year	120,548	167,800	615,624	1,184,098	2,088,070
End of year	\$ 137,541	\$ 104,455	\$ 105,815	\$ 1,474,802	\$ 1,822,613
Reconciliation to statement of net position					
Cash and cash equivalents	\$ 200	\$ 300	\$ -	\$ -	\$ 500
Equity in pooled cash and investments	137,341	104,155	105,815	1,474,802	1,822,113
	\$ 137,541	\$ 104,455	\$ 105,815	\$ 1,474,802	\$ 1,822,613

continued...

CITY OF LANSING, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2014

	Cemetery	Golf	Garbage and Rubbish Collection	Recycling	Totals
Reconciliation of operating income (loss) to net cash used in operating activities					
Operating loss	\$ (432,705)	\$ (547,567)	\$ (58,642)	\$ 271,984	\$ (766,930)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	16,190	91,118	-	150,506	257,814
Changes in operating assets and liabilities that provided (used) cash:					
Accounts receivable	-	(3,222)	(9,271)	-	(12,493)
Inventories	4,377	873	(6,252)	-	(1,002)
Accounts payable	(15,425)	(6,013)	28,374	19,151	26,087
Deposits payable	-	-	(270)	-	(270)
Accrued payroll	288	1,777	-	-	2,065
Due to other funds	-	(70,000)	(500,000)	-	(570,000)
Unearned revenues	-	9,760	33,123	-	42,883
Compensated absences	1,815	6,465	3,129	5,882	17,291
Net cash provided by (used in) operating activities	<u>\$ (425,460)</u>	<u>\$ (516,809)</u>	<u>\$ (509,809)</u>	<u>\$ 447,523</u>	<u>\$ (1,004,555)</u>

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CITY OF LANSING, MICHIGAN

Internal Service Funds

Fleet Maintenance Fund - This fund accounts for the costs of maintaining the City's fleet of vehicles and heavy equipment.

Fringe Benefits Fund - This fund accounts for the costs of the City's fringe benefits.

Engineering Fund - This fund accounts for the operations of the City's engineering department.

Information Technology Fund - This fund accounts for the operations of the City's information technology department.

CITY OF LANSING, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2014

	Fleet Maintenance	Fringe Benefits	Engineering	Information Technology	Totals
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,892,332	\$ -	\$ -	\$ -	\$ 1,892,332
Equity in pooled cash and investments	-	1,365,440	841,338	765,841	2,972,619
Accounts receivable, net	-	425,199	-	-	425,199
Inventories	472,528	-	-	-	472,528
Prepays	-	470,513	79,700	-	550,213
Total current assets	<u>2,364,860</u>	<u>2,261,152</u>	<u>921,038</u>	<u>765,841</u>	<u>6,312,891</u>
Noncurrent assets:					
Capital assets not being depreciated	1,715,680	-	-	-	1,715,680
Capital assets being depreciated, net	<u>9,914,060</u>	<u>-</u>	<u>1,697,196</u>	<u>-</u>	<u>11,611,256</u>
Total noncurrent assets	<u>11,629,740</u>	<u>-</u>	<u>1,697,196</u>	<u>-</u>	<u>13,326,936</u>
Total assets	<u>13,994,600</u>	<u>2,261,152</u>	<u>2,618,234</u>	<u>765,841</u>	<u>19,639,827</u>
Deferred outflows of resources					
Deferred refunding loss	<u>-</u>	<u>-</u>	<u>6,879</u>	<u>-</u>	<u>6,879</u>
Liabilities					
Current liabilities:					
Accounts payable	152,021	816,123	1,461	538,089	1,507,694
Accrued interest payable	45,002	-	620	-	45,622
Accrued payroll	45,233	4,438	29,243	12,256	91,170
Claims incurred but not reported	-	831,808	-	-	831,808
Due to other funds	1,300,000	-	5,000	-	1,305,000
Negative equity in pooled cash	631,781	-	-	-	631,781
Current portion of:					
Bonds and notes payable	693,702	-	155,000	-	848,702
Compensated absences	2,246	-	70,326	31,564	104,136
Total current liabilities	<u>2,869,985</u>	<u>1,652,369</u>	<u>261,650</u>	<u>581,909</u>	<u>5,365,913</u>
Noncurrent liabilities:					
Bonds and notes payable, net of current portion	5,212,167	-	155,000	-	5,367,167
Compensated absences, net of current portion	<u>233,124</u>	<u>38,460</u>	<u>332,178</u>	<u>109,075</u>	<u>712,837</u>
Total noncurrent liabilities	<u>5,445,291</u>	<u>38,460</u>	<u>487,178</u>	<u>109,075</u>	<u>6,080,004</u>
Total liabilities	<u>8,315,276</u>	<u>1,690,829</u>	<u>748,828</u>	<u>690,984</u>	<u>11,445,917</u>
Net position					
Net investment in capital assets	5,723,871	-	1,394,075	-	7,117,946
Unrestricted (deficit)	<u>(44,547)</u>	<u>570,323</u>	<u>482,210</u>	<u>74,857</u>	<u>1,082,843</u>
Total net position	<u>\$ 5,679,324</u>	<u>\$ 570,323</u>	<u>\$ 1,876,285</u>	<u>\$ 74,857</u>	<u>\$ 8,200,789</u>

CITY OF LANSING, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Position

Internal Service Funds

For the Year Ended June 30, 2014

	Fleet Maintenance	Fringe Benefits	Engineering	Information Technology	Totals
Operating revenues					
Charges for services	\$ 8,086,274	\$ 60,104,365	\$ 3,861,690	\$ 3,080,000	\$ 75,132,329
Operating expenses					
Personal services	3,359,959	260,570	2,711,922	1,423,888	7,756,339
Purchase of goods and services	4,774,634	59,301,275	888,020	1,581,255	66,545,184
Depreciation	1,436,632	-	45,431	-	1,482,063
Total operating expenses	9,571,225	59,561,845	3,645,373	3,005,143	75,783,586
Operating income (loss)	(1,484,951)	542,520	216,317	74,857	(651,257)
Nonoperating revenues (expenses)					
Gain on sale of capital assets	345,736	-	-	-	345,736
Interest expense and fees	(190,714)	-	3,734	-	(186,980)
Total nonoperating revenues (expenses)	155,022	-	3,734	-	158,756
Income (loss) before transfers	(1,329,929)	542,520	220,051	74,857	(492,501)
Transfers in	1,620,000	-	-	-	1,620,000
Change in net position	290,071	542,520	220,051	74,857	1,127,499
Net position, beginning of year, as restated	5,389,253	27,803	1,656,234	-	7,073,290
Net position, end of year	\$ 5,679,324	\$ 570,323	\$ 1,876,285	\$ 74,857	\$ 8,200,789

CITY OF LANSING, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2014

	Fleet Maintenance	Fringe Benefits	Engineering	Information Technology	Totals
Cash flows from operating activities					
Cash received from interfund services	\$ 8,086,274	\$ 61,067,372	\$ 3,861,690	\$ 3,080,000	\$ 76,095,336
Cash payments for goods and services	(5,344,196)	(59,497,718)	(961,545)	(1,043,166)	(66,846,625)
Cash payments to employees	(3,306,885)	(251,453)	(2,771,203)	(1,270,993)	(7,600,534)
Net cash provided by (used in) operating activities	(564,807)	1,318,201	128,942	765,841	1,648,177
Cash flows from noncapital financing activities					
Transfers in	1,620,000	-	-	-	1,620,000
Cash flows from capital and related financing activities					
Proceeds on sale of capital assets	345,736	-	-	-	345,736
Acquisition and construction of capital assets	(4,606,487)	-	-	-	(4,606,487)
Proceeds from issuance of long-term debt	1,550,855	-	-	-	1,550,855
Principal paid on long-term debt	(575,835)	-	(155,000)	-	(730,835)
Interest paid on long-term debt	(162,211)	-	(11,161)	-	(173,372)
Net cash used in capital and related financing activities	(3,447,942)	-	(166,161)	-	(3,614,103)
Net change in cash and cash equivalents	(2,392,749)	1,318,201	(37,219)	765,841	(345,926)
Cash and cash equivalents, beginning of year	3,653,300	47,239	878,557	-	4,579,096
Cash and cash equivalents, end of year	\$ 1,260,551	\$ 1,365,440	\$ 841,338	\$ 765,841	\$ 4,233,170
Reconciliation to statement of net position					
Cash and cash equivalents	\$ 1,892,332	\$ -	\$ -	\$ -	\$ 1,892,332
Equity in pooled cash and investments	-	1,365,440	841,338	765,841	2,972,619
Negative equity in pooled cash	(631,781)	-	-	-	(631,781)
	\$ 1,260,551	\$ 1,365,440	\$ 841,338	\$ 765,841	\$ 4,233,170

continued...

CITY OF LANSING, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2014

	Fleet Maintenance	Fringe Benefits	Engineering	Information Technology	Totals
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (1,484,951)	\$ 542,520	\$ 216,317	\$ 74,857	\$ (651,257)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	1,436,632	-	45,431	-	1,482,063
Change in operating assets and liabilities that provided (used) cash:					
Accounts receivable	-	12,763	-	-	12,763
Due from other funds	-	950,244	-	-	950,244
Inventories	371,190	-	-	-	371,190
Prepays	-	(63,898)	(79,700)	-	(143,598)
Accounts payable	(740,752)	(132,545)	1,175	538,089	(334,033)
Accrued payroll	7,454	977	5,921	12,256	26,608
Claims incurred but not reported	-	17,794	-	-	17,794
Due to other funds	(200,000)	-	5,000	-	(195,000)
Compensated absences	45,620	(9,654)	(65,202)	140,639	111,403
Net cash provided by (used in) operating activities	<u>\$ (564,807)</u>	<u>\$ 1,318,201</u>	<u>\$ 128,942</u>	<u>\$ 765,841</u>	<u>\$ 1,648,177</u>

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CITY OF LANSING, MICHIGAN

Agency Funds

Bail Bonds Fund - This fund is used to hold cash received by the District Court for bail bonds.

Garnishment, Indemnity Bond and Restitution Fund - This fund is used to hold cash received by the District Court for garnishment payments until claimed, and to hold indemnity bonds deposited relating to civil disputes until the Court rules on the case.

CITY OF LANSING, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2014

	54-A District Court		Totals
	Bail Bonds	Garnishment, Indemnity Bond and Restitution	
Assets			
Equity in pooled cash and investments	\$ 59,903	\$ 31,507	\$ 91,410
Liabilities			
Undistributed receipts	\$ 59,903	\$ 31,507	\$ 91,410

CITY OF LANSING, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2014

	Beginning Balance	Additions	Deletions	Ending Balance
54-A District Court - Bail Bonds				
Assets				
Equity in pooled cash and investments	\$ 63,131	\$ 431,964	\$ 435,192	\$ 59,903
Liabilities				
Undistributed receipts	\$ 63,131	\$ 431,964	\$ 435,192	\$ 59,903
54-A District Court - Garnishment, Indemnity Bond and Restitution				
Assets				
Equity in pooled cash and investments	\$ 31,395	\$ 290,042	\$ 289,930	\$ 31,507
Liabilities				
Undistributed receipts	\$ 31,395	\$ 290,042	\$ 289,930	\$ 31,507
Total - all agency funds				
Assets				
Equity in pooled cash and investments	\$ 94,526	\$ 722,006	\$ 725,122	\$ 91,410
Liabilities				
Undistributed receipts	\$ 94,526	\$ 722,006	\$ 725,122	\$ 91,410

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STATISTICAL SECTION

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CITY OF LANSING, MICHIGAN

Statistical Section Table of Contents

This part of the City of Lansing, Michigan's (the "City") comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	175
Revenue Capacity	These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	180
Debt Capacity	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	184
Demographic and Economic Information	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	189
Operating Information	These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	191

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF LANSING, MICHIGAN

Table 1 - Unaudited

Net Assets / Net Position by Component Last Ten Fiscal Years										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005 (2)
Governmental activities										
Net investment in capital assets	\$ 150,976,010	\$ 154,372,604	\$ 163,723,249	\$ 180,571,237	\$ 186,536,428	\$ 191,516,475	\$ 187,054,852	\$ 184,150,439	\$ 190,243,447	\$ 198,338,788
Restricted	13,133,137	12,552,011	14,524,584	14,777,571	14,304,689	17,139,090	34,554,539	37,642,784	36,706,345	33,900,657
Unrestricted	(46,344,555)	(39,467,672)	(34,371,855)	(18,840,717)	(7,649,432)	6,589,790	(3,124,027)	2,776,006	514,601	1,632,040
Total governmental activities net assets / net position	\$ 117,764,592	\$ 127,456,943	\$ 143,875,978	\$ 176,508,091	\$ 193,191,685	\$ 215,245,355	\$ 218,485,364	\$ 224,569,229	\$ 227,464,393	\$ 233,871,485
Business-type activities										
Net investment in capital assets	\$ 214,458,841	\$ 212,682,278	\$ 209,584,457	\$ 204,149,751	\$ 194,854,140	\$ 185,430,669	\$ 178,526,049	\$ 166,320,408	\$ 161,324,071	\$ 163,834,290
Restricted	8,746,096	11,077,134	12,382,060	13,080,302	19,917,341	19,454,812	30,892,739	35,777,715	35,945,848	39,493,526
Unrestricted	37,891,053	31,943,581	32,196,598	34,177,453	30,193,568	23,730,694	16,330,517	28,929,677	28,208,193	22,701,430
Total business-type activities net assets / net position	\$ 261,095,990	\$ 255,702,993	\$ 254,163,115	\$ 251,407,506	\$ 244,965,049	\$ 228,616,175	\$ 225,749,305	\$ 231,027,800	\$ 225,478,112	\$ 226,029,246
Primary government										
Net investment in capital assets	\$ 365,434,851	\$ 367,054,882	\$ 373,307,706	\$ 384,720,988	\$ 381,390,568	\$ 376,947,144	\$ 365,580,901	\$ 350,470,847	\$ 351,567,518	\$ 362,173,078
Restricted	21,879,233	23,629,145	26,906,644	27,857,873	34,222,030	36,593,902	65,447,278	73,420,499	72,652,193	73,394,183
Unrestricted (deficit)	(8,453,502)	(7,524,091)	(2,175,257)	15,336,736	22,544,136	30,320,484	13,206,490	31,705,683	28,722,794	24,333,470
Total primary government net assets / net position	\$ 378,860,582	\$ 383,159,936	\$ 398,039,093	\$ 427,915,597	\$ 438,156,734	\$ 443,861,530	\$ 444,234,669	\$ 455,597,029	\$ 452,942,505	\$ 459,900,731

(1) no discretely presented component units shown

(2) in 2005 the City's definition of "restricted net assets" was changed to include assets in funds set up to account for activities outside of the General Fund, for Governmental Activities, and to include restricted cash for debt retirement for Business-type Activities.

CITY OF LANSING, MICHIGAN

Table 2 - Unaudited

Change in Net Assets / Net Position Last Ten Fiscal Years										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities:										
General government	\$ 24,771,054	\$ 27,438,065	\$ 30,841,776	\$ 25,665,269	\$ 30,326,671	\$ 26,426,242	\$ 28,901,548	\$ 22,043,283	\$ 34,375,762	\$ 53,533,838
Public safety	78,142,897	77,133,469	82,369,004	83,546,997	84,566,215	71,236,947	76,211,756	62,570,888	60,047,271	38,668,349
Public works	37,243,516	29,984,955	33,144,303	26,355,375	29,252,516	37,588,680	40,032,746	40,517,063	31,790,944	30,670,483
Recreation and culture	8,670,918	7,713,098	8,889,142	8,245,451	7,312,480	7,298,385	7,677,083	6,198,462	7,881,212	5,464,143
Community development	7,602,229	16,939,572	13,623,946	12,825,028	9,715,087	6,378,286	6,382,336	6,232,406	7,124,491	6,996,000
Interest on long-term debt	1,340,818	1,475,051	1,949,825	2,116,535	2,229,288	1,803,125	1,481,658	1,658,708	1,197,851	1,033,078
Total governmental activities expenses	157,771,432	160,684,210	170,817,996	158,754,655	163,402,257	150,731,665	160,687,127	139,220,810	142,417,531	136,365,891
Business-type activities:										
Sewage disposal system	28,682,809	26,298,964	26,836,597	26,444,741	24,931,075	26,247,188	27,382,736	24,725,229	21,706,537	20,631,611
Municipal parking system	7,851,702	8,108,373	9,491,376	9,896,498	8,305,095	8,353,063	10,188,065	10,275,379	18,403,163	10,151,018
Cemetery	722,270	633,050	639,000	755,766	659,584	689,979	675,672	692,510	753,151	802,949
Golf	935,671	892,117	810,372	846,817	869,003	927,200	1,072,505	1,358,008	1,398,963	1,446,615
Garbage and rubbish collection	1,722,843	1,557,708	1,558,024	1,515,600	1,451,059	1,547,372	1,436,642	1,372,266	1,412,620	1,421,617
Recycling	3,263,553	3,650,292	3,041,328	2,809,353	2,804,047	3,008,750	2,940,366	2,777,068	2,981,730	2,862,003
Potter Park Zoo	-	-	-	-	-	-	(156,270)	2,968,236	2,718,759	2,690,943
Total business-type activities expenses	43,178,848	41,140,504	42,376,697	42,268,775	39,019,863	40,773,552	43,539,716	44,168,696	49,374,923	40,006,756
Total primary government expenses	\$ 200,950,280	\$ 201,824,714	\$ 213,194,693	\$ 201,023,430	\$ 202,422,120	\$ 191,505,217	\$ 204,226,843	\$ 183,389,506	\$ 191,792,454	\$ 176,372,647
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 6,820,261	\$ 6,162,713	\$ 6,428,110	\$ 6,742,306	\$ 6,565,263	\$ 5,188,510	\$ 5,938,911	\$ 6,251,032	\$ 6,416,850	\$ 6,264,142
Public safety	2,122,023	4,083,222	8,525,524	8,975,173	8,589,146	9,817,421	12,705,181	13,014,934	13,087,372	12,400,853
Public works	2,129,126	1,622,738	2,797,443	2,449,606	2,788,112	4,565,013	4,364,525	3,805,739	3,891,646	2,646,007
Recreation and culture	800,293	594,349	557,609	685,120	587,906	1,217,445	1,556,260	1,259,373	1,405,584	1,598,968
Community development	67,323	67,349	67,344	122,326	69,250	50,132	66,308	66,161	66,486	66,788
Operating grants and contributions	28,234,803	29,322,435	31,928,983	30,154,681	27,515,892	26,462,211	20,356,292	16,524,178	16,158,496	16,673,481
Capital grants and contributions	3,365,682	3,124,288	260,656	189,414	3,109,410	2,571,741	2,531,974	2,179,870	3,659,169	3,479,536
Total governmental activities program revenues	43,539,511	44,977,094	50,565,669	49,318,626	49,224,979	49,872,473	47,519,451	43,101,287	44,685,603	43,129,775
Business-type activities:										
Charges for services:										
Sewage disposal system	31,759,698	30,825,174	29,915,799	29,205,945	28,907,772	27,446,304	28,023,322	26,926,202	26,867,610	26,890,756
Municipal parking system	7,453,476	5,267,627	6,858,606	7,539,179	7,396,219	7,539,611	10,090,566	10,838,270	10,289,830	9,628,690
Cemetery	289,565	314,913	240,394	225,947	226,973	248,314	218,688	264,255	237,564	230,716
Golf	366,567	373,000	390,134	382,546	438,315	448,067	607,922	754,995	890,190	929,266
Garbage and rubbish collection	1,664,201	1,131,659	1,459,101	1,507,577	1,677,428	1,486,531	1,617,717	1,378,562	1,295,053	1,322,111
Recycling	3,508,536	3,434,622	2,818,364	2,609,423	2,651,309	2,945,061	3,039,089	2,903,092	2,816,277	2,636,002
Potter Park Zoo	-	-	-	-	-	-	(115)	553,999	471,703	558,654
Operating grants and contributions	2,574,949	1,193,571	1,331,737	4,456,708	1,535,907	1,541,913	-	-	-	-
Capital grants and contributions	-	-	2,683,657	1,439,044	11,928,108	60,318	196,317	183,012	1,368,773	731,575
Total business-type activities program revenues	47,616,992	42,540,566	45,697,792	47,366,369	54,762,031	41,716,119	43,793,506	43,802,387	44,237,000	42,927,770
Total primary government program revenues	\$ 91,156,503	\$ 87,517,660	\$ 96,263,461	\$ 96,684,995	\$ 103,987,010	\$ 91,588,592	\$ 91,312,957	\$ 86,903,674	\$ 88,922,603	\$ 86,057,545
Net (expenses) revenues										
Governmental activities	\$ (114,231,921)	\$ (115,707,116)	\$ (120,252,327)	\$ (109,436,029)	\$ (114,177,278)	\$ (100,859,192)	\$ (113,167,676)	\$ (96,119,523)	\$ (97,731,928)	\$ (93,236,116)
Business-type activities	4,438,144	1,400,062	3,321,095	5,097,594	15,742,168	942,567	253,790	(366,309)	(5,137,923)	2,921,014
Total primary government net expense	\$ (109,793,777)	\$ (114,307,054)	\$ (116,931,232)	\$ (104,338,435)	\$ (98,435,110)	\$ (99,916,625)	\$ (112,913,886)	\$ (96,485,832)	\$ (102,869,851)	\$ (90,315,102)

continued...

CITY OF LANSING, MICHIGAN

Change in Net Assets / Net Position
Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General revenues and other changes in net assets / net position										
Governmental activities:										
Taxes:										
Property taxes	\$ 38,079,548	\$ 38,668,837	\$ 33,506,860	\$ 37,233,590	\$ 39,010,960	\$ 39,141,928	\$ 38,607,761	\$ 38,371,105	\$ 37,506,017	\$ 36,181,408
Income taxes	31,450,913	29,850,755	27,943,070	28,699,749	27,408,443	29,312,762	31,168,012	28,209,913	27,032,176	27,435,047
Unrestricted grants and contributions	35,677,910	31,425,718	26,441,961	27,254,574	25,847,423	27,318,313	28,180,799	27,258,536	26,817,633	26,355,710
Investment earnings	36,836	58,588	69,265	89,735	246,495	978,034	1,706,572	2,483,162	1,634,608	715,608
Miscellaneous	-	-	123,066	108,601	75,094	32,310	-	-	774,822	104,563
Transfers	(705,637)	(583,117)	(464,008)	(633,814)	(464,807)	(509,728)	7,420,667	(3,098,357)	(3,132,465)	(2,123,435)
Total governmental activities	<u>104,539,570</u>	<u>99,420,781</u>	<u>87,620,214</u>	<u>92,752,435</u>	<u>92,123,608</u>	<u>96,273,619</u>	<u>107,083,811</u>	<u>93,224,359</u>	<u>90,632,791</u>	<u>88,668,901</u>
Business-type activities:										
Investment earnings	246,616	356,467	271,067	689,883	141,899	413,850	1,883,034	2,815,480	1,453,076	1,298,407
Miscellaneous	2,600	-	(1,300,561)	21,166	-	725	5,348	2,160	1,248	23,736
Transfers	705,637	583,117	464,008	633,814	464,807	509,728	(7,420,667)	3,098,357	3,132,465	2,123,435
Total business-type activities	<u>954,853</u>	<u>939,584</u>	<u>(565,486)</u>	<u>1,344,863</u>	<u>606,706</u>	<u>924,303</u>	<u>(5,532,285)</u>	<u>5,915,997</u>	<u>4,586,789</u>	<u>3,445,578</u>
Total primary government	<u>\$ 105,494,423</u>	<u>\$ 100,360,365</u>	<u>\$ 87,054,728</u>	<u>\$ 94,097,298</u>	<u>\$ 92,730,314</u>	<u>\$ 97,197,922</u>	<u>\$ 101,551,526</u>	<u>\$ 99,140,356</u>	<u>\$ 95,219,580</u>	<u>\$ 92,114,479</u>
Changes in net assets / net position										
Governmental activities	\$ (9,692,351)	\$ (16,286,335)	\$ (32,632,113)	\$ (16,683,594)	\$ (22,053,670)	\$ (4,585,573)	\$ (6,083,865)	\$ (2,895,164)	\$ (7,099,137)	\$ (4,567,215)
Business-type activities	<u>5,392,997</u>	<u>2,339,646</u>	<u>2,755,609</u>	<u>6,442,457</u>	<u>16,348,874</u>	<u>1,866,870</u>	<u>(5,278,495)</u>	<u>5,549,688</u>	<u>(551,134)</u>	<u>6,366,592</u>
Total primary government	<u>\$ (4,299,354)</u>	<u>\$ (13,946,689)</u>	<u>\$ (29,876,504)</u>	<u>\$ (10,241,137)</u>	<u>\$ (5,704,796)</u>	<u>\$ (2,718,703)</u>	<u>\$ (11,362,360)</u>	<u>\$ 2,654,524</u>	<u>\$ (7,650,271)</u>	<u>\$ 1,799,377</u>

concluded

(1) No discretely presented component units shown

CITY OF LANSING, MICHIGAN

Table 3 - Unaudited

Fund Balances, Governmental Funds Last Ten Fiscal Years										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
				(2)						(1)
General fund										
Nonspendable	\$ 79,770	\$ 75,738	\$ 92,538	\$ 171,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	36,854	9,400	16,256	41,129						
Committed	2,038,608	2,976,408	65,373	178,081						
Unassigned	7,052,830	5,633,528	5,198,032	4,939,691	-	-	-	-	-	-
Reserved	-	-	-	-	102,732	1,320,375	1,765,288	1,848,021	2,443,224	2,482,589
Unreserved	-	-	-	-	389,061	3,755,862	5,465,164	5,036,129	4,634,961	4,709,909
Total general fund	9,208,062	8,695,074	5,372,199	5,330,487	491,793	5,076,237	7,230,452	6,884,150	7,078,185	7,192,498
All other governmental funds										
Nonspendable	2,551,975	2,671,151	2,852,004	3,006,507	-	-	-	-	-	-
Restricted	6,902,928	4,368,983	5,566,421	7,412,008	-	-	-	-	-	-
Committed	4,623,112	4,035,145	4,109,131	4,908,740	-	-	-	-	-	-
Unassigned (deficit)	(522,157)	(619,931)	(543,774)	(371,285)	-	-	-	-	-	-
Reserved	-	-	-	-	1,177,998	324,366	365,351	2,544,339	613,533	2,139,438
Unreserved, reported in:										
Special revenue funds	-	-	-	-	12,029,680	13,394,485	14,716,755	14,523,146	18,798,291	17,635,170
Capital projects funds	-	-	-	-	11,614,644	12,010,219	17,862,441	18,978,360	15,717,371	12,563,759
Debt service funds	-	-	-	-	126,434	186,636	256,144	144,518	88,826	4,400
Permanent funds	-	-	-	-	1,649,550	1,630,098	1,609,992	1,596,939	1,577,150	1,557,890
Total all other governmental funds	13,555,858	10,455,348	11,983,782	14,955,970	26,598,306	27,545,804	34,810,683	37,787,302	36,795,171	33,900,657
Total all governmental funds	\$ 22,763,920	\$ 19,150,422	\$ 17,355,981	\$ 20,286,457	\$ 27,090,099	\$ 32,622,041	\$ 42,041,135	\$ 44,671,452	\$ 43,873,356	\$ 41,093,155

(1) In 2005 the City's definition for Permanent Funds fund balance changed to "unreserved" due to the nature of the funds being set up as a reserved fund

(2) The City implemented GASB 54 for the Fiscal Year Ended June 30, 2011. Prior years were not restated retroactively.

Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Property taxes	\$ 38,151,162	\$ 38,717,552	\$ 33,583,448	\$ 37,371,885	\$ 39,279,343	\$ 39,258,893	\$ 38,775,722	\$ 38,681,928	\$ 37,957,773	\$ 36,527,417
Income taxes	31,450,913	29,850,755	27,943,070	28,699,749	27,408,443	29,312,762	31,168,012	28,209,913	27,032,176	27,497,542
Licenses and permits	1,508,133	1,509,402	1,538,325	1,598,804	1,414,906	1,325,119	1,429,075	1,101,550	860,647	791,655
Intergovernmental	41,658,435	40,639,183	41,431,793	40,304,785	39,137,217	38,998,039	38,556,616	34,699,908	34,964,225	35,624,372
Charges for services	13,037,014	11,754,381	18,676,398	18,606,304	18,323,158	20,355,642	19,116,593	18,415,612	19,436,267	17,931,572
Fines and forfeits	2,738,392	3,694,351	2,884,328	3,325,728	4,579,175	4,143,000	4,090,397	4,349,642	4,515,951	4,351,977
Interest and rents	56,550	53,179	63,571	88,516	249,464	1,196,559	1,836,485	2,607,388	1,710,674	720,707
Contributions	20,725,882	16,247,403	12,369,733	11,821,388	10,606,368	10,372,056	10,894,573	9,980,854	9,385,831	8,966,289
Donations from private sources	-	-	5,000	-	9,000	44,000	326,768	114,954	549,055	126,182
Other revenue	653,506	510,515	400,074	504,856	473,123	1,054,209	331,248	1,019,476	1,082,283	1,320,064
Total revenues	149,979,987	142,976,721	138,895,740	142,322,015	141,480,197	146,060,279	146,525,489	139,181,225	137,494,882	133,857,777
Expenditures										
General government	21,063,589	23,595,321	25,038,589	26,396,516	27,839,564	28,951,805	29,209,458	28,905,058	34,956,037	55,746,807
Public safety	72,068,298	63,943,082	66,161,872	70,397,235	70,820,184	70,082,462	67,715,160	65,218,515	59,143,629	38,121,596
Public works	13,456,773	8,908,673	6,225,177	6,002,823						
Highways and streets	10,496,880	9,937,423	8,589,298	8,494,233	14,506,982	14,723,311	14,860,390	13,501,747	10,879,004	10,467,860
Recreation and culture	8,457,444	6,629,453	6,996,562	7,464,193	8,127,700	8,452,768	8,038,290	7,676,600	7,509,183	5,517,980
Community development	3,646,035	-	-	-	-	-	-	-	-	-
Other functions	2,620,316	23,699,202	17,999,264	15,675,003	15,182,675	12,599,072	11,805,843	9,847,925	8,259,415	8,520,848
Capital outlay	8,715,193	5,489,617	6,466,084	9,956,103	14,781,728	14,855,863	16,228,127	20,001,659	13,306,810	12,614,723
Debt service:										
Interest	1,185,257	1,378,856	1,836,218	3,210,220	3,270,068	1,801,394	1,607,703	1,285,436	1,145,588	1,187,673
Principal	3,485,104	3,137,159	3,448,080	2,070,552	2,165,237	4,743,146	4,721,581	3,875,909	3,244,879	3,592,766
Issuance costs	-	42,744	-	48,804	-	-	-	-	-	-
Total expenditures	145,194,889	146,761,530	142,761,144	149,715,682	156,694,138	156,209,821	154,186,552	150,312,849	138,444,545	135,770,253
Excess of revenues over under expenditures	4,785,098	(3,784,809)	(3,865,404)	(7,393,667)	(15,213,941)	(10,149,542)	(7,661,063)	(11,131,624)	(949,663)	(1,912,476)
Other financing sources (uses)										
Proceeds from borrowing	986,300	11,932,046	-	2,470,000	10,146,117	-	4,052,979	15,190,077	6,087,507	1,784,465
Proceeds from sale of capital assets	167,737	497,833	1,398,936	1,210,046	689	1,587,216	-	-	774,822	74,565
Payment to escrow agent	-	(6,015,112)	-	(2,456,207)	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	120,960	-	-	-	-
Transfers in	10,522,162	7,056,932	7,893,879	9,602,095	16,181,590	11,601,871	13,507,521	6,908,259	8,170,998	8,274,929
Transfers out	(12,847,799)	(1,892,449)	(8,357,887)	(10,235,909)	(16,646,397)	(12,579,599)	(12,529,754)	(10,168,616)	(11,303,463)	(10,398,364)
Total other financing sources (uses)	(1,171,600)	11,579,250	934,928	590,025	9,681,999	730,448	5,030,746	11,929,720	3,729,864	(264,405)
Net change in fund balance	\$ 3,613,498	\$ 7,794,441	\$ (2,930,476)	\$ (6,803,642)	\$ (5,531,942)	\$ (9,419,094)	\$ (2,630,317)	\$ 798,096	\$ 2,780,201	\$ (2,176,881)
Debt service as a percentage of noncapital expenditures	3.4%	3.2%	3.8%	3.7%	3.9%	4.5%	4.6%	4.0%	3.4%	3.8%

CITY OF LANSING, MICHIGAN

Table 5 - Unaudited

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Developmental Property	Personal Property Valuation	Total Taxable Assessed Valuation	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2005	\$ 1,196,695,728	\$702,969,958	\$ 175,906,035	\$ -	\$ -	\$ 288,421,700	\$ 2,363,993,421	15.88	\$ 4,727,986,842	50.0%
2006	1,266,935,505	730,413,466	180,564,805	-	-	251,293,200	2,429,206,976	15.88	4,858,413,952	50.0%
2007	1,354,989,247	728,343,561	195,703,073	-	-	221,858,408	2,500,894,289	15.88	5,001,788,578	50.0%
2008	1,437,051,392	765,233,437	192,915,386	-	-	223,995,750	2,619,195,965	15.83	5,238,391,930	50.0%
2009	1,479,089,611	719,463,319	254,539,254	-	-	205,034,000	2,658,126,184	15.83	5,316,252,368	50.0%
2010	1,480,467,389	713,807,797	248,288,931	-	-	220,228,175	2,662,792,292	15.70	5,325,584,584	50.0%
2011	1,407,920,589	624,406,132	215,099,428	-	-	199,543,400	2,446,969,549	15.70	4,893,939,098	50.0%
2012	1,387,390,250	639,535,400	87,432,000	-	-	183,233,681	2,297,591,331	15.70	4,595,182,662	50.0%
2013	1,232,109,181	587,002,900	86,884,400	151,900	-	182,543,900	2,088,692,281	19.70	4,177,384,562	50.0%
2014	1,152,931,800	580,539,700	85,938,200	151,900	2,900	182,024,000	2,001,408,500	19.70	4,002,817,000	50.0%

Source: Lansing City Assessor

CITY OF LANSING, MICHIGAN

Table 6 - Unaudited

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year Ended June 30,	City Direct Rates				Overlapping Rates					Total
	Tax Year	Operating Millage	Service Millage	City Millage	County Millage	School Millage	State Education	College Millage	Other Millage	
						(1)			(2)	
2005	2004	14.90	.98	15.88	8.10	20.65	6.00	3.84	8.83	63.30
2006	2005	14.90	.98	15.88	8.18	20.40	6.00	3.81	8.78	63.04
2007	2006	14.95	.93	15.88	8.72	20.32	6.00	3.81	9.15	63.88
2008	2007	14.95	.88	15.83	8.73	20.18	6.00	3.81	8.15	62.70
2009	2008	15.01	.82	15.83	8.87	20.15	6.00	3.81	9.04	63.70
2010	2009	15.44	.26	15.70	8.85	19.95	6.00	3.81	9.93	64.24
2011	2010	15.44	.26	15.70	8.84	19.95	6.00	3.81	9.93	64.23
2012	2011	15.44	.26	15.70	8.85	21.44	6.00	3.81	9.96	65.76
2013	2012	19.44	.26	19.70	9.49	21.73	6.00	3.81	9.96	70.68
2014	2013	19.44	.26	19.70	9.50	21.91	6.00	3.81	9.96	70.88

(1) rates for Lansing School District only

(2) includes Intermediate School, Airport Authority, Capital Area Transit Authority and Capital Area District Library.

Source: Lansing City Treasurer

Profile of Ten Largest Ad Valorem Taxpayers
 Current Year and Nine Years Ago

Taxpayer	2014			2005		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation
General Motors Corp.	\$81,468,000	1	4.01%	\$ 205,695,700	1	6.79%
Jackson National Life Insurance Company	32,771,500	2	1.61%	32,974,000	2	1.09%
Consumers Energy	22,283,300	3	1.10%	22,446,500	5	0.74%
Demmer Corporation	14,898,600	4	0.73%			
Comcast of Michigan LLC	11,644,000	5	0.57%			
Lansing Retail Center LLC	10,661,000	6	0.52%	16,317,300	6	0.54%
Heart of the City Assoc	7,271,400	7	0.36%	11,274,600	10	0.37%
Sprint Spectrum L.P.	9,496,000	8	0.47%	14,089,100	8	0.47%
Emergent Biodefense Operations	6,881,400	9	0.34%			
Quality Dairy Co #17	6,759,700	10	0.33%			
Accident Fund Company				14,265,700	7	0.47%
525 Redevco Inc				27,168,700	3	0.90%
Capital Outlook LLC				23,943,900	4	0.79%
Cricket Communications				13,198,200	9	0.44%

Data furnished from City of Lansing Assessor

Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collection	Total Collections to Date	
		Current Tax Collection	Percent of Levy Collected		Total Tax Collection	Collections as a Percent of Levy
2005	\$ 40,051,303	\$ 39,429,093	98.45%	\$ 140,123	\$ 39,569,216	98.80%
2006	41,261,397	41,022,735	99.42%	83,419	41,106,154	99.62%
2007	42,627,042	42,516,696	99.74%	107,322	42,624,018	99.99%
2008	44,286,657	44,125,517	99.64%	144,587	44,270,104	99.96%
2009	45,567,556	45,468,639	99.78%	72,779	45,541,418	99.94%
2010	44,997,919	44,844,495	99.66%	33,012	44,877,507	99.73%
2011	41,460,916	41,375,354	99.79%	24,416	41,399,770	99.85%
2012	39,948,762	39,863,393	99.79%	19,647	39,883,040	99.84%
2013	40,450,767	39,716,932	98.19%	55,532	39,772,464	98.32%
2014	39,336,952	39,238,902	99.75%	20,866	39,259,768	99.80%

Note: Amounts are net of chargebacks from the County Tax Revolving Funds for taxes still delinquent after three years.

Note: Delinquent Tax Collection represents amounts received in the indicated fiscal year.

Source: City of Lansing Treasurer

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita	Population (1)
	General Obligation Bonds	Special Assessment Debt	Installment Purchase Agreements	Loans	General Obligation Bonds	Revenue Bonds	Lease Purchases	Loans				
(2) 2005	\$ 13,320,000	\$ 35,000	\$ 8,396,154	\$ 1,543,195	\$ 151,841,661	\$ 52,604,302	\$ -	\$ 4,180,000	\$ 231,920,312	10.88% ⁽²⁾	\$ 1,947	119,100
(2) 2006	17,255,582	25,000	7,351,126	1,409,844	158,320,227	48,772,782	-	4,180,000	237,314,561	11.14% ⁽²⁾	1,993	119,100
(2) 2007	20,128,052	10,000	15,721,844	1,772,049	156,536,857	44,787,045	-	4,180,000	243,135,848	11.42% ⁽²⁾	2,041	119,100
(2) 2008	20,914,466	-	14,037,885	1,534,822	175,578,524	41,921,307	-	4,180,000	258,167,004	12.13% ⁽²⁾	2,168	119,100
(3) 2009	17,899,203	-	12,394,082	1,290,479	189,210,199	39,045,570	-	4,180,000	264,019,533	12.41% ⁽²⁾	2,217	119,100
(3) 2010	26,329,157	-	10,925,689	1,038,804	199,063,758	36,122,872	-	4,180,000	277,660,281	13.05% ⁽²⁾	2,331	119,100
(3) 2011	27,804,224	-	9,564,693	779,580	197,000,901	33,209,092	-	1,574,209	269,932,699	12.17% ⁽³⁾	2,362	114,297
(3) 2012	25,816,914	-	8,193,615	512,577	189,536,530	30,135,311	-	1,637,177	255,832,124	11.32% ⁽³⁾	2,238	114,297
(3) 2013	29,994,604	-	2,807,838	6,246,743	180,359,931	27,528,327	-	1,702,664	248,640,107	11.01% ⁽³⁾	2,175	114,298
(3) 2014	27,180,294	-	3,100,563	7,062,234	174,471,861	24,055,438	1,668,081	-	237,538,471	10.69% ⁽³⁾	2,078	114,298

(1) population per decennial census by the U.S. Census Bureau

(2) personal income data comes from U.S. Census Bureau, American Community Survey 2005

(3) personal income data comes from U.S. Census Bureau, American Community Survey 2009

CITY OF LANSING, MICHIGAN

Table 10 - Unaudited

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population ⁽¹⁾	Taxable Value ⁽³⁾	Gross Bonded Debt ⁽²⁾	Debt Service Monies Available	Debt Payable From Restricted Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Value	Net Bonded Debt per Capita
2005	119,128	\$ 2,363,993,421	\$ 165,196,661	\$ 4,400	\$ 151,841,661	\$ 13,350,600	0.0056	112
2006	119,128	2,429,206,976	175,600,809	88,826	159,920,227	15,591,756	0.0064	131
2007	119,128	2,500,894,289	176,674,909	309,363	162,596,857	13,768,689	0.0055	116
2008	119,128	2,619,195,965	196,492,990	256,144	184,442,624	11,794,222	0.0045	99
2009	119,128	2,658,126,184	207,109,402	186,636	197,225,199	9,697,567	0.0036	81
2010	119,128	2,662,792,292	225,392,915	126,434	206,198,758	19,067,723	0.0072	160
2011	114,297	2,446,969,549	224,805,125	46,029	203,225,901	21,533,195	0.0088	188
2012	114,297	2,297,591,331	215,353,444	-	194,911,530	20,441,914	0.0089	179
2013	114,297	2,088,692,281	210,354,535	178	184,849,931	25,504,426	0.0122	223
2014	114,297	2,001,408,500	201,652,155	-	178,031,861	23,620,294	0.0118	207

⁽¹⁾ Source: 2000 and 2010 Census by the U.S. Census Bureau

⁽²⁾ includes all general obligation debt and special assessment debt with governmental obligation

⁽³⁾ the tax assessment day is December 31 prior to beginning of fiscal year

Direct and Overlapping Governmental Activities Debt

As of June 30, 2014

Name of Governmental Unit	Net General Obligation	% Applicable to City	Amount Applicable to City
	Debt Outstanding		
Net direct - City	\$ 37,343,091	100.00%	<u>\$ 37,343,091</u>
Share of County-issued bonds			
Joint Building Authority	\$ 3,042,527	100.00%	\$ 3,042,527
Drain Commission	144,462	100.00%	<u>144,462</u>
			<u>\$ 3,186,989</u>
Overlapping debt			
Eaton Intermediate School District	925,000	0.55%	\$ 5,088
Ingham Intermediate School District	2,002,000	23.31%	466,666
Waverly School District	36,730,000	0.23%	84,479
Lansing School District	43,525,000	81.35%	35,407,588
East Lansing School District	53,448,659	3.73%	1,993,635
Holt School District	75,456,667	2.46%	1,856,234
Ingham County	38,691,853	27.08%	10,477,754
Eaton County	38,691,853	1.63%	632,134
Clinton County	6,260,258	0.29%	18,155
Lansing Community College	77,855,000	19.27%	15,002,659
Okemos School District	20,656,000	2.32%	479,219
Mason School District	15,315,000	0.10%	15,315
Grand Ledge School District	58,635,000	1.18%	<u>691,893</u>
Total overlapping debt			<u>67,130,819</u>
Total direct and overlapping debt			<u>\$ 107,660,899</u>

Note: Overlapping debt percentages are apportioned based upon relative assessed values.

Source: Municipal Advisory Council of Michigan

Legal Debt Margin Information

Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value, real and personal property	\$ 2,001,408,500
Assessed value equivalents	<u>49,981,485</u>
Total valuation	2,051,389,985
Legal debt margin	
Debt limitation - 10 percent of total valuation	<u>205,138,999</u>
Debt applicable to limit	
Total City Bonded Debt	223,943,286
City Share:	
Drain Commission-County Issued	144,162
Joint Building Authority-County Issued	3,042,527
TIF Supported Bonds	<u>17,074,155</u>
	<u>244,204,130</u>
Less:	
Michigan Transportation (MTF) Bonds	(3,560,000)
Sewage Disposal Revenue Bonds	(21,765,000)
Pollution Abatement (CSO Project) Bonds	<u>(125,816,595)</u>
	<u>(151,141,595)</u>
Total net debt applicable to limit	<u>93,062,535</u>
Legal debt margin	<u>\$ 112,076,464</u>

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 302,811,105	\$ 314,307,611	\$ 324,987,531	\$ 318,810,868	\$ 298,581,799	\$ 298,052,683	\$ 268,975,768	\$ 233,669,637	\$ 208,869,228	\$ 205,138,999
Total net debt applicable to limit	<u>75,882,359</u>	<u>103,095,986</u>	<u>84,276,312</u>	<u>87,966,365</u>	<u>79,513,756</u>	<u>98,368,804</u>	<u>100,923,863</u>	<u>92,357,575</u>	<u>91,833,157</u>	<u>93,062,835</u>
Legal debt margin	<u>\$ 226,928,746</u>	<u>\$ 211,211,625</u>	<u>\$ 240,711,219</u>	<u>\$ 230,844,503</u>	<u>\$ 219,068,043</u>	<u>\$ 199,683,880</u>	<u>\$ 168,051,905</u>	<u>\$ 141,312,062</u>	<u>\$ 117,036,071</u>	<u>\$ 112,076,164</u>
Total net debt applicable to the limit as a percentage of debt limit	25.06%	32.80%	25.93%	27.59%	26.63%	33.00%	37.52%	39.52%	43.97%	45.37%

Pledged-Revenue Coverage
 Last Ten Fiscal Years

Sewage Disposal Bonds							
	Gross Revenue	Direct Operating Expenses ⁽¹⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage ⁽²⁾
				Principal	Interest	Total	
2005	\$ 26,601,646	\$ 12,775,001	\$ 13,826,645	\$ 3,715,000	\$ 1,786,328	\$ 5,501,328	2.51
2006	27,932,464	12,867,761	15,064,703	3,805,000	2,036,736	5,841,736	2.58
2007	29,292,698	13,494,658	15,798,040	3,950,000	2,152,990	6,102,990	2.59
2008	29,356,299	15,997,449	13,358,850	2,830,000	2,002,400	4,832,400	2.76
2009	27,759,684	14,206,961	13,552,723	2,840,000	1,900,000	4,740,000	2.86
2010	28,613,004	12,358,472	16,254,532	2,840,000	1,803,425	4,643,425	3.50
2011	29,865,648	12,616,100	17,249,548	2,925,000	1,621,221	4,546,221	3.79
2012	30,178,511	12,562,663	17,615,848	3,040,000	1,448,856	4,488,856	3.92
2013	31,169,428	12,112,994	19,056,434	3,160,000	1,111,390	4,271,390	4.46
2014	31,996,794	13,424,901	18,571,893	3,265,000	1,054,878	4,319,878	4.30

⁽¹⁾ Operating expenses less depreciation

⁽²⁾ Coverage is defined as net revenue available for debt service divided by debt service requirements

Demographic and Economic Statistics
 Last Ten Fiscal Years

Year	Population ⁽¹⁾	Personal Income	Per capita Personal Income ⁽²⁾	Median Age ⁽³⁾	Lansing School District Enrollment ⁽⁴⁾	Unemployment % Rate ⁽⁵⁾	Labor Force ⁽⁵⁾
2005	119,100	\$ 2,131,183,101	\$ 17,894	32.2	16,201	9.0%	68,041
2006	119,100	2,130,460,800	17,888	32.4	16,014	8.4%	67,023
2007	119,100	2,129,750,646	17,882	32.5	15,178	8.9%	66,224
2008	119,100	2,129,040,730	17,876	32.7	14,475	10.2%	65,833
2009	119,100	2,128,331,049	17,870	32.8	14,482	16.2%	66,822
2010	119,100	2,127,621,606	17,864	32.9	14,098	15.0%	64,074
2011	114,297	2,218,237,360	19,408	30.4	13,465	13.1%	63,130
2012	114,297	2,259,194,502	19,766	32.4	13,236	11.3%	63,374
2013	114,297	2,259,194,502	19,766	32.2	12,544	11.9%	63,181
2014	114,297	2,221,933,680	19,440	32.2	12,088	9.1%	63,102

⁽¹⁾ Source: U.S. Census Bureau

⁽²⁾ Source: personal income for 2000 and 2005 from the U.S. Census Bureau; other years were extrapolated from 2000 and 2005

⁽³⁾ Source: 2000 data from U.S. Census Bureau. Data for other years estimated by City of Lansing Finance Department

⁽⁴⁾ Source: Lansing School District

⁽⁵⁾ Source: Michigan Department of Career Development: Employment Service Agency - Labor Market Information

Principal Employers

Current Year and Eight Years Ago

Employer	2014			2006		
	Employees ⁽¹⁾	Rank	Percentage of Total City Employment ⁽²⁾	Employees ⁽¹⁾	Rank	Percentage of Total City Employment
State of Michigan	13,700	1	6.11%	13,000	1	6.09%
Michigan State University	10,725	2	4.78%	10,500	2	4.45%
Sparrow Health System	5,735	3	2.56%	6,000	4	2.54%
General Motors	5,522	5	2.46%	6,300	3	2.67%
Liberty National Life Insurance	5,000	4	2.23%			
Lansing Community College	2,990	6	1.33%	3,800	5	1.35%
McClaren Greater Lansing	2,400	7	1.07%	2,500	7	1.06%
Meijer	1,880	8	0.84%	2,000	8	0.85%
Lansing School District	1,613	9	0.72%	3,000	6	0.89%
Auto Owner's Insurance	1,500	10	0.67%	1,500	9	0.64%
Peckham, Inc.	1,400	11	0.62%			
Jackson National Life Insurance	1,393	12	0.62%			
Ingham County				1,200	10	0.52%
Greater Lansing metropolitan area employment			224,197			

⁽¹⁾ Data is representative of the Greater Lansing Region⁽²⁾ Source: Michigan Department of Career Development: Employment Service Agency - Labor Market Information
Data prior to 2006 is unavailable

Full-time Equivalent City Governmental Employees by Function/Program
 Last Nine Fiscal Years

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government									
City council	10	10	10	11	11	11	11	11	11
Mayor's office	5	5	5	5	5	5	5	5	7
City clerk	5	5	5	6	7	7	7	7	7
54-A district court	43	43	48	50	53	53	53	55	55
City attorney's office	10	10	10	11	12	12	12	12	11
City TV	2	2	2	2	2	2	2	2	2
Internal auditor	1	1	1	1	1	1	1	1	2
Human resources	10	9	9	11	12	13	14	14 ⁽¹⁾	12
Information technology	11	10	10	14	15	17	18	18	18
Finance									
Accounting/Budget/Purchasing	10	10	13	14	16	17	16	18 ⁽¹⁾	21
Tax services	20	20	21	22	24	25	26	29	30
Property management	-	- ⁽⁶⁾	18	20	21	23	24	26 ⁽³⁾	28
Fleet management	-	- ⁽⁶⁾	27	29	30	31	33	37 ⁽²⁾	20
	<u>30</u>	<u>30</u>	<u>79</u>	<u>99</u>	<u>106</u>	<u>113</u>	<u>117</u>	<u>128</u>	<u>117</u>
Planning & neighborhood development									
Administration	2	2	2	2	2	2	2	2	2
Code compliance	- ⁽⁸⁾	15	15	16	16	16	17	19	15
Building safety	13	12	13	15	15	15	15	16	17
Planning	4	4	4	5	5	4	5	7	7
Development	11	9	9	9	9	10	10	10	11
Parking & transportation	15	20	20	20 ⁽²⁾	40	41	41	43	49
	<u>45</u>	<u>62</u>	<u>63</u>	<u>66</u>	<u>87</u>	<u>88</u>	<u>90</u>	<u>97</u>	<u>101</u>
Police	234 ⁽⁸⁾	229 ⁽⁷⁾	260	327	344	342	341	338	339
Fire	188	180	179	207	218	219	219	219	220
Code compliance	14 ⁽⁸⁾								
Public services									
Administration & engineering	19	19	21	21	17	18	18	18	19
Operations & maintenance	117 ⁽⁸⁾	120	121	135 ⁽²⁾	110	113	113	119	122
Service garage	-	-	-	-	-	-	-	- ⁽²⁾	17
Wastewater	41	41	41	41	44	50	50	51	61
Property Management	18	18 ⁽⁶⁾							
Fleet Management	27	27 ⁽⁶⁾							
	<u>222</u>	<u>225</u>	<u>183</u>	<u>197</u>	<u>171</u>	<u>181</u>	<u>181</u>	<u>188</u>	<u>219</u>
Human relations & community services	6	5	5	5	5	6	8	9	9
Parks & recreation									
Administration & design	6	5	5	5	7	7	8	8	9
Grounds & forestry	-	-	-	- ⁽²⁾	27	31	32	32 ⁽²⁾	32
Leisure & special recreation	6	8	10	12	15	19	17	19 ⁽³⁾	20
Cemeteries	1	1	1	1	3	4	4	5	5
Golf/ice arena	3	3	3	4	4	4	4	4	6
Zoo (4)	-	-	-	-	-	-	-	18	19
	<u>16</u>	<u>17</u>	<u>19</u>	<u>22</u>	<u>56</u>	<u>65</u>	<u>65</u>	<u>86</u>	<u>91</u>
	<u>827</u>	<u>833</u>	<u>878</u>	<u>1,020</u>	<u>1,090</u>	<u>1,118</u>	<u>1,126</u>	<u>1,172</u>	<u>1,203</u>

Source: The City of Lansing

Data available back nine years only

In FY 2007, the following restructuring of departments occurred:

(1) A payroll position was transferred from Finance to Human Resources

(2) Operations of the City's three fleet garages was consolidated in Finance

(3) Four custodial positions were transferred from Parks & Recreation to Finance

(4) On July 1, 2007, Potter Park Zoo employees were transferred to Ingham County

In FY 2011, the following restructuring of departments occurred:

(5) Grounds Maintenance positions were moved from Parks & Recreation and Planning & Neighborhood Development and consolidated with Public Service staff

In FY 2013, the following restructuring of departments occurred:

(6) Fleet and Property Management were moved from the Finance Department to the Public Service Department

(7) On June 27, 2012, 911 Dispatch employees were transferred from the City to Ingham County

In FY 2014, the following restructuring of departments occurred:

(8) Fourteen (14) positions are transferred from PND to Fire; four (4) to Police, and one (1) to Public Service for FY 2014

Operating Indicators by Function/Program
 Last Nine Fiscal Years

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety									
Fire department responses	19,427	18,444	17,093	16,974	16,659	15,852	15,780	15,267	14,869
EMS related	16,235	15,918	14,851	14,628	14,398	13,447	13,151	12,779	12,152
Fire related	3,012	2,526	2,242	2,346	2,261	2,405	2,629	2,488	2,117
Police department responses	76,855	73,087	74,058	78,112	87,724	89,958	87,634	97,466	87,551
Arrests	5,656	7,196	8,043	8,858	11,644	11,559	12,810	13,260	7,479
Traffic violations	7,756	14,905	8,829	15,585	18,297	20,122	25,398	29,047	30,948
Public works									
Potholes filled	55,193	33,155	30,116	32,918	24,945	43,601	40,790	28,122	36,522
Streets resurfaced (miles)	4.60	6.00	5.01	8.99	20.70	16.20	20.92	22.11	27.16
Recreation									
Recreation participation	50,859	55,122	66,836	66,254	70,529	39,060	37,783 ⁽¹⁾	41,069	38,878
Pavilion rentals	185	199	198	161	288	315	341	254	255
Sewage disposal									
Average amount processed daily (gal)	14.49 million	14.75 million	12.82 million	12.83 million	15.01 million	18.15 million	16.73 million	16.00 million	15.00 million
Parking system									
Average number of monthly permits	2,891	2,718	2,735	3,122	3,480	3,783	4,059	3,905	4,073
Parking tickets issued	34,373	38,127	41,829	45,176	63,610	66,183	57,153	75,637	82,221
Cemetery									
Lots sold	93	113	115	143	142	119	98	114	104
Golf									
Annual rounds played	22,786	25,554	28,560	26,084	30,936	41,588	43,605 ⁽²⁾	59,244	57,256
Garbage and rubbish									
Yards sent to landfill	18,829	17,985	18,705	20,334	21,805	29,322	29,869	30,402	30,517
Recycling									
Recycled goods sold (tons)	5,075	3,562	3,149	2,446	2,163	2,591	2,818	2,269	2,441
Yards composted	25,260	21,832	20,413	15,725	21,819	21,871	21,928	17,189	21,304

Source: The City of Lansing

Data available back nine years only

⁽¹⁾ The addition of the Southside Community Center, with a pool, resulted in a large increase in recreation participation in FY 2010⁽²⁾ Two golf course were closed in FY 2008 with one of those being converted to a driving range

Source: City of Lansing

Capital Assets Statistics by Function/Program
 Last Nine Fiscal Years

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety									
Police stations	2	2	2	3	3	3	3	3	3
Police patrol units	61	60	60	58	61	61	58	55	55
Fire stations	6	6	6	8	9	9	9	9	9
Public works									
Streets (miles)	411.00	411.00	407.80	410.80	410.63	410.15	410.15	410	409.89
Traffic signals	200	204	204	208	203	196	203	188	194
Recreation									
Park acreage	2,364.85	2,364.85	2,434.88	2,422.63	2,422.63	2,422.63	2,422.63	2,219.63	2,219.63
Playgrounds	72	75	73	71	71	82	82	80	76
Baseball/softball fields	61	61	61	61	61	61	61	61	61
Soccer/football fields	6	6	6	6	6	6	6	6	6
Community centers	4	4	4	4	4	4	4	4	4
Sewage disposal									
Sanitary sewers (miles)	359	359	359	359	357	354	347.4	341.0	338.0
Storm sewers (miles)	234	234	234	234	233	230	225.1	220.0	217.0
Combined sewers (miles)	188	188	188	188	191	192	197.4	203.0	208.0
Parking system									
Ramps	4	4	4	4	4	4	6	6	5
Lots	17	18	15	15	16	16	15	15	15
Meters	2,452	2,452	2,452	2,452	2,493	2,493	2,489	2,489	2,489
Cemetery									
Number of cemeteries	3	3	3	3	3	3	3	3	3
Golf									
Number of courses	1	1	1	1	1	1	1 ^b	3	3
Acreage	115	115	115	115	115	115	115 ^b	318	318
Garbage and rubbish									
Refuse collection trucks	17	17	19	22	18	16	21	21	20
Recycling									
Recycling trucks	7	7	7	9	10	10	10	10	10
Potter park zoo									
Number of animals	N/A	N/A	N/A	N/A	N/A	N/A	N/A ^a	398	403

Source: The City of Lansing

Data available back nine years only

a. Zoo operations were transferred to Ingham County in FY2008

b. Two municipal golf courses were non-operational beginning in 2008